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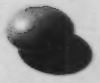

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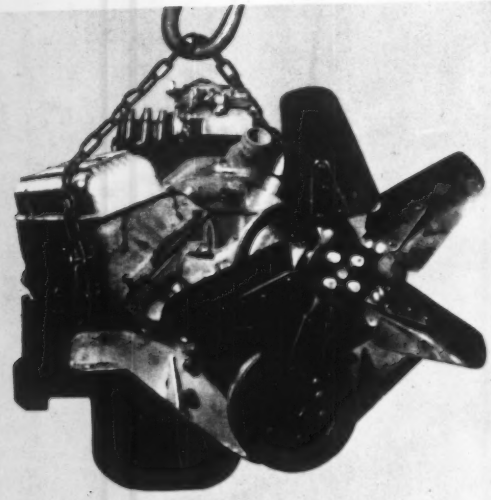

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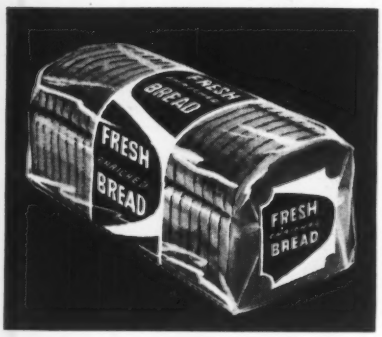
this fresh...

or this fragile

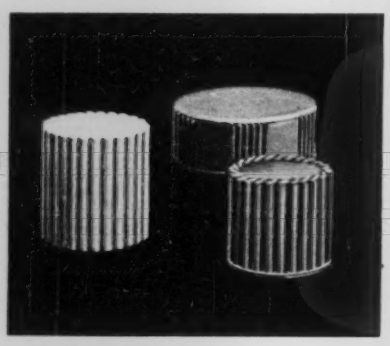
Look into AVISCO® packaging materials and services →

HOW MANY OF THESE AVISCO® PACKAGING MATERIALS CAN YOU USE?



1 CELLOPHANE

Available in many different types, tailor-made for a wide variety of products including foods, tobacco and textiles.



5 PLASTIC MOLDING COMPOUNDS

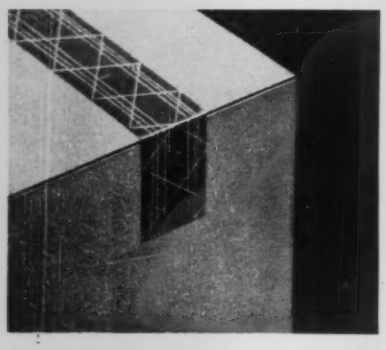
Avisco urea formaldehyde molding compounds are used to make bottle and container closures, colorful caps and cases.

6 RAYON INDUSTRIAL SEWING THREAD

Yields up to 30% greater yardage per dollar; offers greater strength and trouble-free sewing on bag stitching machines.

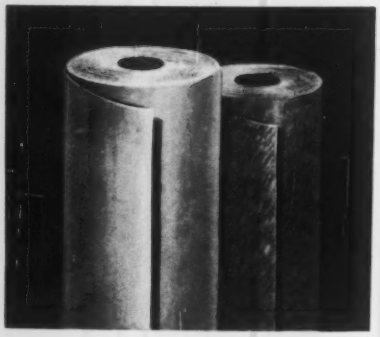
7 RAYON STAPLE

Clean, white Avisco rayon staple is placed in necks of pill bottles to prevent pill breakage. No static hazard. Virtually lint-free.



11 RAYON FOR REINFORCED TAPES

Rayflex® filament yarn adds strength and flexibility to packaging tapes at low cost — for a wide variety of uses.



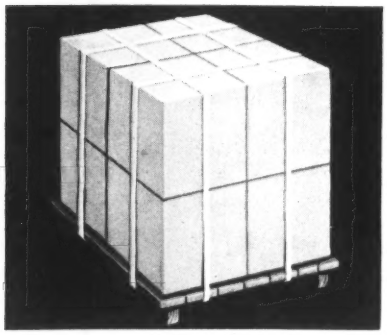
12 RAYON FOR SPECIALTY PAPERS

Avisco rayon can be used in the pulp blend to give added flexibility to heavy paper or paperboard — decorative effects to paper.

13 RAYON AND ACETATE FOR RIBBONS

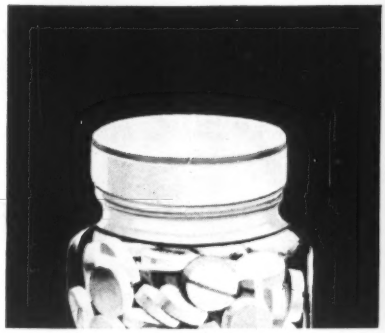
Avisco rayon and acetate are widely used to manufacture many different kinds of ribbon for use in gift packaging.

AMERICAN VISCOSE CORPORATION, PACKAGING DEVELOPMENT SERVICE



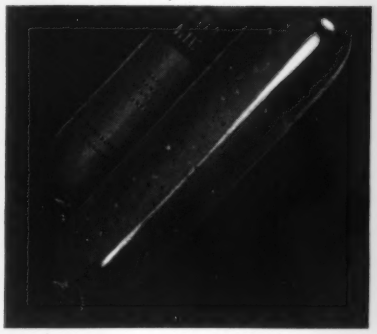
2 AVISTRAP® CORD STRAPPING

Outperforms metal strapping—at lower cost—in many applications. Safe and light in weight. Eliminates disposal problems.



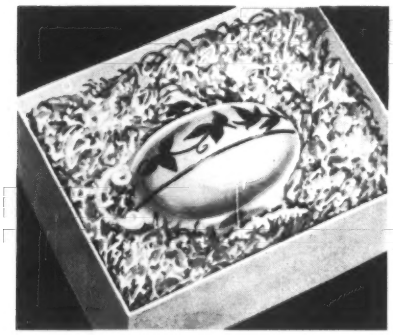
3 CELLULOSE BANDS

Avisco cellulose bands provide a visible, tamperproof seal around the neck of a bottle or jar. Printed bands are available.



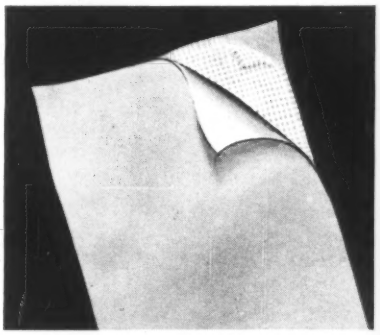
4 CASINGS

Avisco transparent and fibrous casings offer meat processors easier stuffing, uniform shapes and more full slices.



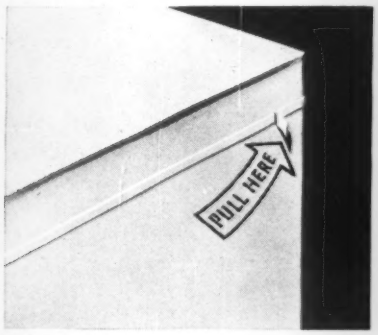
8 CELLO-CELSIOR® SHREDDED FILM

Shredded cellophane is used by many manufacturers to cushion delicate objects. It also adds decor to a gift-type package.



9 RAYON FOR REINFORCING

Rayflex® filament yarn is used to make scrim, which is laminated with paper, film or foil to give added protection.



10 RAYON FOR TEAR TAPES

Tear tapes made of Avisco rayon simplify the opening of cartons. No cutting required. No resulting damage to contents.

14 RAYON FLOCKING

A velvety texture can be simply and economically applied to boxes and containers by spraying with flock of Avisco rayon.

FOR MORE INFORMATION, ATTACH THIS COUPON TO YOUR COMPANY LETTERHEAD

American Viscose Corporation
Packaging Development Service, Dept. B.
1617 Pennsylvania Blvd., Phila. 3, Pa.

Tell us about your packaging requirement or problem, and check the numbers of the Avisco products in which you are interested. We'll be happy to tailor our suggestions to fit your specific needs. Be sure to include your name.

1_____ 2_____ 3_____ 4_____ 5_____

6_____ 7_____ 8_____ 9_____ 10_____

11_____ 12_____ 13_____ 14_____

AVISCO

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DUN'S REVIEW
AND MODERN INDUSTRY

VOLUME 78 NUMBER 5

November 1961

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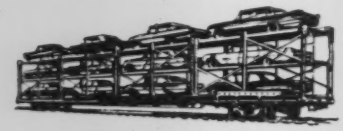
How'd you like 20,000 bosses?

I like it great . . . especially with them giving me so much reason to "blow my horns" about how our railway is moving ahead!

This is Rocky speaking. I work for all the people at Great Northern Railway. (You'll still see a lot of me in Glacier National Park, my original home. But my greatest claim to fame is being part of GN's trademark.)

Anyway, the view from my mountain top gets better all the time—because *this* railway is way ahead of the game, right up and down its 8,280 mile line in ten states and two Canadian provinces. And I know. I ride on GN locomotives, freight cars and trucks. I'm on train schedules and travel folders—maps, calendars and letterheads. And I even have speaking parts in advertisements like this.

So let me tell you about what's making Great Northern so *great* these days. (And I notice we're at the first picture already!)



You know what this is—a shipment of new automobiles.

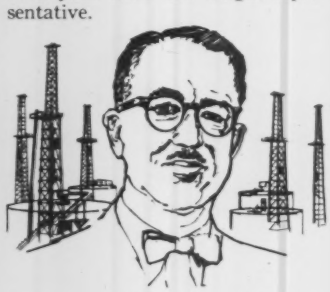
For many years Great Northern—and lots of other railways—hauled fewer and fewer automobiles. But there's been a change. You should see us now. We load up to 15 autos on tri-level carriers—sort of piggyback—and away we roll!

And GN's schedules get those new cars to their destinations in a hurry.

Which gets me into a favorite subject: Great Northern's Coordinated Shipping Services. That's "train talk" for the way we team up freight car, truck and piggyback.

For example: ship some goods into Minnesota or Montana by freight car. Then Great Northern trucks will take over for delivery to outlying points. Or use a combination of piggyback and truck.

Whatever you ship (from perishables to pig iron) . . . wherever you ship (from the Great Lakes to the great Pacific Northwest) . . . however you ship (LCL, carload or trailerload) . . . Great Northern's Coordinated Shipping Services put you on the *right track*. And—at mighty advantageous rates! Check with your local GN freight representative.



Want you to meet a good friend of mine—Al Haley.

Al's our chief on geological affairs . . . an expert on things like lignite, oil and iron ore.

He's a regular genius at finding a gravel pit where no one thinks there's one around. And you should hear his talk on the Williston Basin chemical complex. ("Complex"? No—just crystal clear!)

Ask Al Haley about sulfur, or natural gas, or olivine—anything that comes out of the ground. (Same address as mine. See below.)

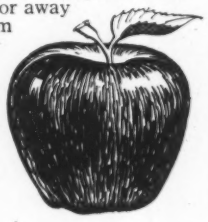
How about your next business trip—or family vacation?

Be a great time to rediscover the joys of train travel aboard GN's incomparable Empire Builder. The sight-seeing's superb from high-up in Great Dome seats. And so is the comfort—in reclining, leg-rest coach seats or spacious Pullman quarters. Marvelous food and service, too. Runs daily each way between Chicago and Seattle-Portland via St. Paul-Minneapolis and Spokane. A *great* way to go!

What is an apple?

It's what small boys shinny up trees after . . . and when one fell down on an Englishman's head several centuries ago, it led to Newton's law of gravity and a new age in science. It tells teacher she's "favorite" . . . and its blossoms tell poets and songwriters and young lovers it's Spring.

An apple is cider, sauce, butter, dumplings, pie and pan dowdy . . . and about 90 calories. It gets bartered for, begged for and bobbed for . . . sliced, diced, sealed, peeled and "polished". It gets cooked, candied and carameled . . . but mostly, just plain chawed and chomped on. It goes into bushel baskets and picnic baskets . . . lunch boxes, sacks and fruit stand racks . . . and into policemen's pockets. It keeps the doctor away . . . and brings kids in from play . . . and shows up in their cheeks.



An apple is as old as Adam . . . yet it's always news when "crop's in". And when it's the Wenatchee Valley crop, that's *exciting* news . . . to the whole apple-lovin' world!

The above is presented in behalf of some of Great Northern's favorite folks—the apple-growers in Washington's famed Wenatchee Valley. This year's crop is in (and it's a beauty!)—and we're busy movin' it to market with the help of 200 new mechanical refrigerated cars. Have the Missus bring home a crate of these big Delicious apples from your food store.

Final "toots" on Rocky's horns

Looks like I've just about "enthused" myself out of space! But I've got to put in a plug for our brand new steel boxcars. We add around 1,000 or more every year—and build a lot of them ourselves in GN's shops at St. Cloud, Minnesota. (Some of our new special-purpose cars are real dandies, too—like those tri-level auto carriers and mechanical refrigerator cars I mentioned. And boy, the way our new "plug door" boxcars team up with mechanical loading equipment is something to behold if you're speed and efficiency-minded!)

You should see the big increases in miles of our line under CTC (Centralized Traffic Control), too. And how we use an electronic pushbutton system to cut terminal time by classifying up to 3,600 cars a day at our Gavin Yard in Minot, North Dakota.

But maybe it's better that I invite you to get in touch with us!

If it's a matter of freight . . . talk to *G. D. Johnson, General Freight Traffic Manager*—or offices in most major cities.

If it's industrial or agricultural opportunities out our way, drop a line to *E. N. Duncan, Director, Industrial and Agricultural Development Department.*

If it's passenger travel, contact *Kent Van Wyck, Passenger Traffic Manager*—or ticket offices in most major cities.

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Reviewing Dun's

WHAT'S NEW?

AS every executive knows, the methods and tools of business are constantly changing. Production processes become outmoded, and so do the plants which house them. Advancing techniques enable new layers of markets to be penetrated and studied. Even the art of management itself is no exception; it, too, changes as new ways are developed and perfected for getting the most out of people.

Magazines face the same challenge of keeping up with the times. Readers' tastes are constantly changing, and magazines must keep pace with them. Look at any popular magazine of just three or four years ago, and you will be amazed at how antiquated it looks today.

For several months now, DUN'S REVIEW has been revamping itself. Some of the innovations are more obvious than others. The titles of the articles, for example, have been increased in size. Pictures receive more prominence, and the "white space" so dear to the art director is more in evidence. In big ways and small, all these changes are designed to make the pages more inviting to the reader.

But what is the magazine doing to improve its primary function of keeping its readers informed of trends and developments in that ever-changing world of business and management?

As any magazine must, DUN'S REVIEW is always striving to increase the value of its articles to the reader; that is, to broaden their depth and widen their scope. The aim: to dig out the hard-to-find figures, the little-known case histories and the other operational subtleties that can make all the difference to a business.

But digging out such information, and spotting early trends, is not easy in this day of hard-fought business competition. So DUN'S REVIEW has set up its own staff of research assistants. Highly educated and specifically trained in their duties, each researcher now lays out groundwork for a story, attempting to sift the chaff from the wheat even before the writer looks into it. And once the article is written, the researcher checks it thoroughly, making certain that all its points are valid and accurate.

Facts, of course, are not the only concern of the businessman these days. There are also *ideas*. We live in an age of intellectual ferment, a time when capitalism has been under fire abroad and many of our traditional concepts of business have been criticized at home.

This is a time, then, when the businessman must be able to fight strange and alien concepts with valid, concrete ideas of his own. Mere words will not win this fight. So DUN'S REVIEW has been scheduling articles by leaders not only of business but of government and education as well, covering a gamut of ideas that ranges from education (as this month's feature does) to Government, from foreign policy to profits.

With that mixture, the reader of the magazine will receive solid, useful information for his business affairs and also keep abreast of the thinking of the leaders of America.

Are these the only improvements in DUN'S REVIEW? Not at all. Future issues will carry more new features and still more depth, so that the magazine will be more useful to the businessman than ever before.

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DUN'S REVIEW AND MODERN INDUSTRY
November 1961

Two big worries make the Government's economic experts not nearly so sure as some businessmen that the U.S. economy is set for fast-paced growth in the next year. They are starting to wonder now whether the bright hope that the U.S. will be pouring out goods and services at a record-breaking $600-billion-a-year clip by the end of 1962 will really be fulfilled.

Consumers may not spend heavily enough for the country to reach that magic $600-billion figure. That is the first reason for the fretting over the possibility of slower growth. The second reason is that businessmen may keep a tight rein on their purchases of capital goods.

The worry over consumers comes and goes. Administration experts had just about decided in September that consumers would come through handsomely. Now they are not so sure. The problem is partly statistics and partly psychology. Consumer sales are pounding along, but they are not climbing rapidly enough to give a fresh push to the business upsurge.

Automobile sales are inconclusive. Detroit is talking confidently, but the best judgment of Government experts is that it is still too early to tell whether the manufacturers' public optimism is warranted.

The psychological unease stems mainly from the automobile walkouts that interrupted production, slowed activity all the way back to the steel mills and may have taken some of the edge off the new model sales. Persistent war talk is unsettling consumers and they are uncomfortable, too, about the continuing reports of high unemployment.

The Administration expects national output to hit $540 billion in this quarter and $555 billion in the first quarter of 1962 on its march to the $600-billion mark. But it is counting on consumer demand in general--and the demand for cars in particular--to supply the early lift that will be needed. There will be no $555-billion first quarter if consumers decide that they can make their old cars last a little longer.

Capital-goods spending is a newer worry. These outlays are at least as important as high auto sales if the nation's $600-billion output volume is to be achieved. Washington's hope has been that capital-goods purchases would start rising strongly about mid-1962.

That timing is critical, for the Government economists' projections indicate that consumer spending will be losing some of its immediate post-recession zip by then. Simultaneously, the Government's own spending will be tapering off about that time--unless there is a new and unpredictable international crisis. A fresh thrust will be needed just then if the $600-billion goal is to be reached. And an upsurge in capital-goods spending is believed to be the only possible source of this needed power.

So far there has been a modest rise in capital spending, official sur-

veys disclose. But there is no evidence yet that this will turn into a strong advance by mid-1962. The Administration has made quiet checks with top officials of key corporations. And those executives say they plan only moderate increases in their capital-spending budgets in 1962.

* * *

The White House is bracing for a bitter foreign trade fight next year. All the signs point to its being the angriest hassle of the 1962 Congressional session. The Reciprocal Trade Act expires in June, and President Kennedy is preparing a broad, new trade program. But the protectionists are stronger than they have ever been and a fierce clash is inevitable.

Philadelphia banker Howard C. Peterson is drafting the Administration's program. The program has yet to receive Mr. Kennedy's approval, but it will signal the first important change in the Reciprocal Trade program since Secretary of State Cordell Hull first sponsored it in 1934.

Presidential advisers believe the new approach is urgent. The challenge is the six-nation European Common Market, soon to be a seven-nation group if Britain also enters it. The Administration has come to the conclusion that the U.S. must drive a good bargain with the Common Market--or face the chance that American producers will miss out on the lushest opportunity of the 1960s.

The contemplated solution is a Congressional grant of authority to offer across-the-board percentage tariff cuts on entire groups of commodities in exchange for comparable concessions from the Common Market. The U.S. currently bargains item-by-item--trades a cut of, say, 11% on one import for a desired foreign reduction on an American product. The tentative program also includes loans, grants, worker retraining and other federal aid for companies and workers who are injured by imports.

* * *

Small Business Investment Companies are approaching an important turning point. Time was when the Small Business Administration was knocking itself out to coax investors to start SBICs. But no more. Instead, it is beginning to think seriously of curbing the number of new licenses it issues.

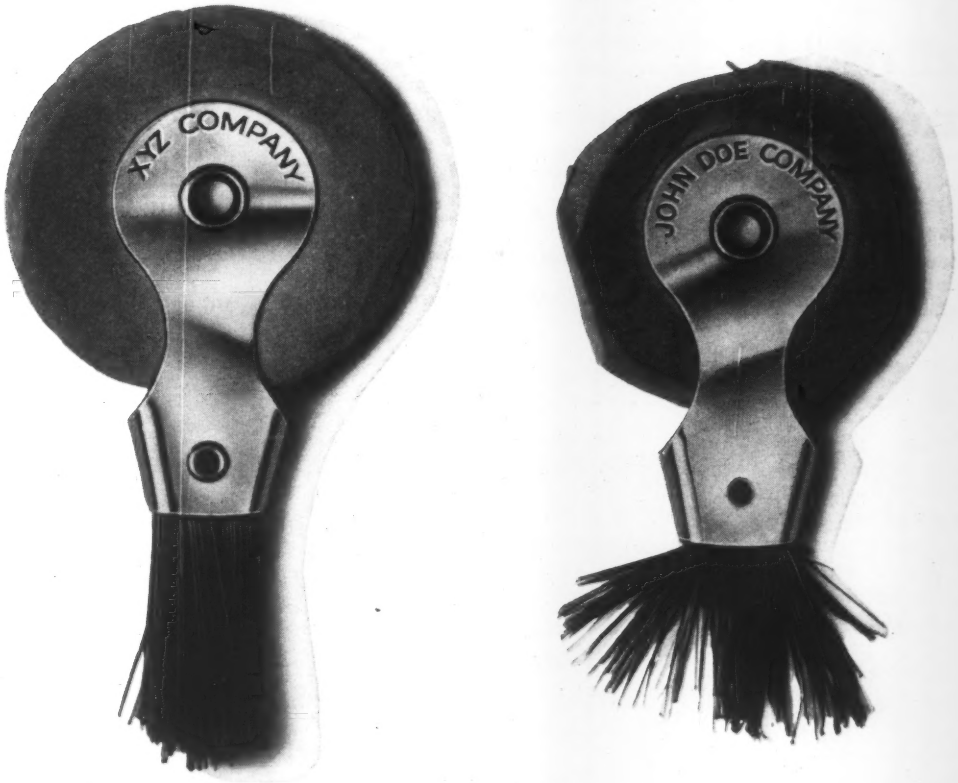
Some areas have about as many SBICs as they need, the SBA thinks. The agency soon will begin screening applications on the basis of community need. More than 400 SBICs have come into operation in the past two years. They have supplied more than $125 million to upwards of 2,000 small companies.

The clamp-down will not be sudden or rigid. But it will get progressively tighter.

* * *

President Kennedy is applying heavy pressure for Federal economy. The word has gone out to the Government agencies. They are to trim, slice and prune wherever they can. The crackdown began last summer when the magnitude of the military build-up started coming into focus. White House aides promise it will become tougher still.

--Joseph R. Slevin



These erasers tell their own story

Both were new this morning. One has been used in the course of a busy, efficient workday. The other has been overworked—and also used as a desk cleaner, back-scratcher and tiddly-wink. Music by Muzak can help make the difference in your office.

Don't mistake Muzak® with ordinary background music. Scientific studies show how Music by Muzak diminishes employee boredom, boosts office morale, cuts the hidden payroll costs that eat at company profits. Muzak Corporation, unlike its imitators, has the vast resources and accumulated skill to provide music *scientifically programmed* to the requirements of office and factory subscribers. It is psychologically designed to fill in the valleys of office or shop routine, help prevent daydreaming, ease raw nerves and reduce the inevitable tension of every-day work tasks.

The results are impressive. Your staff becomes more energetic, more efficient, less prone to error and time-wasting. What Music by Muzak is and how it can be profitably put to work for your company are detailed in the informative booklet, "Music and Muzak." Write for your free copy today.

"Since the installation of Muzak in our offices we have found our employees more productive and we have seen fewer signs of employee fatigue and boredom," states Mr. L. J. Koch, Jr., Vice-President of George Koch Sons, Inc., Evansville, Indiana, one of the country's leading manufacturers of Decorative Metal Furniture and Accessories, employing over 400 people.

music by Muzak

Muzak Corporation • 229 Park Avenue South • New York 3, N. Y. an International Subsidiary of Wrather Corporation

Trend of Business

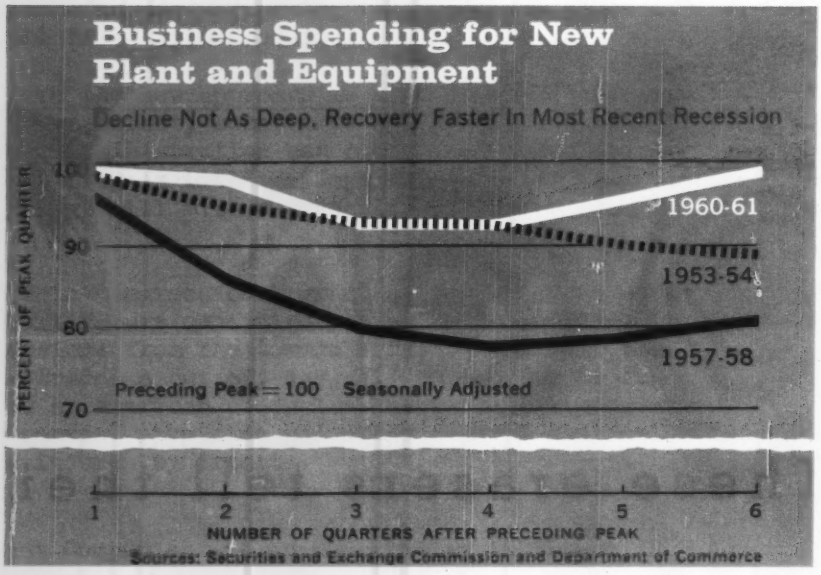
Sales: *Consumers getting set to buy*
Production: *Scattered strikes interrupt rising output*
Construction: *Now a major boost to the economy*
Failures: *September shows healthy seasonal trend*

BY mid-October it was already clear that the business upsurge which began last March had slowed down at the start of the fourth quarter. It was equally clear, though, what this hesitation meant: the economy was simply pausing to let the consumers catch up before pushing on to new high ground. By taking the edge off auto output, scattered strikes beclouded the steel picture and interrupted the rise in industrial output that had paced the recovery so far. But a step-up in defense orders and continued gains in construction prevented any significant backsliding. Added up, prospects for the rest of 1961 and the first half of 1962 remain bright.

Crisis in Berlin and the renewed threat of trouble in Southeast Asia continued to make many businessmen uneasy. More and more, though, business seems to be settling down to the realization that it will have to live with world tensions for a long time to come. And, despite the short slowdown in the economy, the signs of basic, underlying strength remain for all to see. Consumer assets and income are at peak levels, consumer debt is far from heavy, inventories remain low and government spending at all levels is on the rise.

Output of heavy industry pauses on its way to new highs.

Industrial production sputtered briefly as it headed into the fourth quarter, and the Federal Reserve Board's index of industrial production (1957=100) shaded off to 112 in September from 113 in August. Bad weather, notably Hurricane Carla, and Detroit's labor troubles were to blame. But it was a hesitation, not a reversal of the brisk rise, and no new downswing is in prospect. In fact, the index still promises to hit 120 or better by next spring.



Steel has had to mark time while the auto industry has been getting its house in order. But business in general has experienced a healthy rise in demand, and the dollar volume of defense orders has been swelling. Even while slackening orders from Detroit were postponing the expected upsurge in steel production, a pickup in general demand was already stretching out delivery dates for some steel customers. With continued gains in defense orders and a rebound in autos, steelmen still expect to end the year on a strong uptrend.

After scattered but crippling strikes, the automakers are straining to get on high production schedules.

Fourth-quarter auto output expectations have had to be trimmed in the wake of a series of local strikes, first at General Motors and then at Ford, over wages, fringe benefits and local working conditions. With Ford already in the throes of walkouts before GM could get back to full production, there was a steep dip in autumn car output—a dip that could be sharpened by trouble at Chrysler. As the dates for bringing out the new models drew near, dealers' stocks were too slow to permit a real test of the market, though rising car sales in early October suggested that the demand was there. In any case, it now looks as if total 1961 auto output will be more than 1 million units below 1960.

The automakers are chafing to get started, however, on what looks like a big year ahead. With new car sales down for 1961 as a whole, a large market potential has developed. Inventories in used cars are low, with shortages in several areas. With this in mind, Detroit will set its production

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Our bonded shippers will forward your gifts direct for you. Send us Fourth Class—addressed shipping labels, plus your card which will be inserted in packages. To avoid any error send duplicate list for checking. Arrange labels in same order as names appear on your list. Your return address should appear on shipping labels. We deliver to Post Office in time to reach their destination before Christmas. A 15 cent charge per package will be made in addition to the express or postage charge. All packages sent insured Parcel Post or Express, whichever is cheaper. TERMS: FOB Cleveland, Net. Send check with order or we will invoice you. Postage and handling charge invoiced separately when check sent with order.

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GIFT NO. 8 HAMMERED ALUMINUM BOXES

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8A	2 lb. Imperial Mix	$4.35	
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8C	5 lb. Imperial Mix	9.90	
8D	3 lb. Star Design	6.60	
8E	5 lb. Star Design	10.50	

GIFT NO. 9 TRANSPARENT GIFT BOXES

GIFT NO.	ITEM	PRICE EACH	TOTAL
9A	1 lb. Cello Box Imperial Mix	$2.20	
9B	2 lb. Cello Box Imperial Mix	4.15	
9C	3 lb. Cello Box Imperial Mix	5.95	
9D	3 lb. Cello Box Star Design	6.40	

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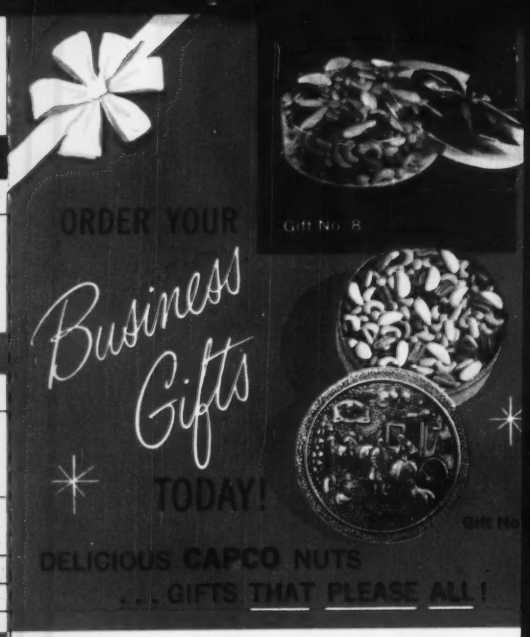


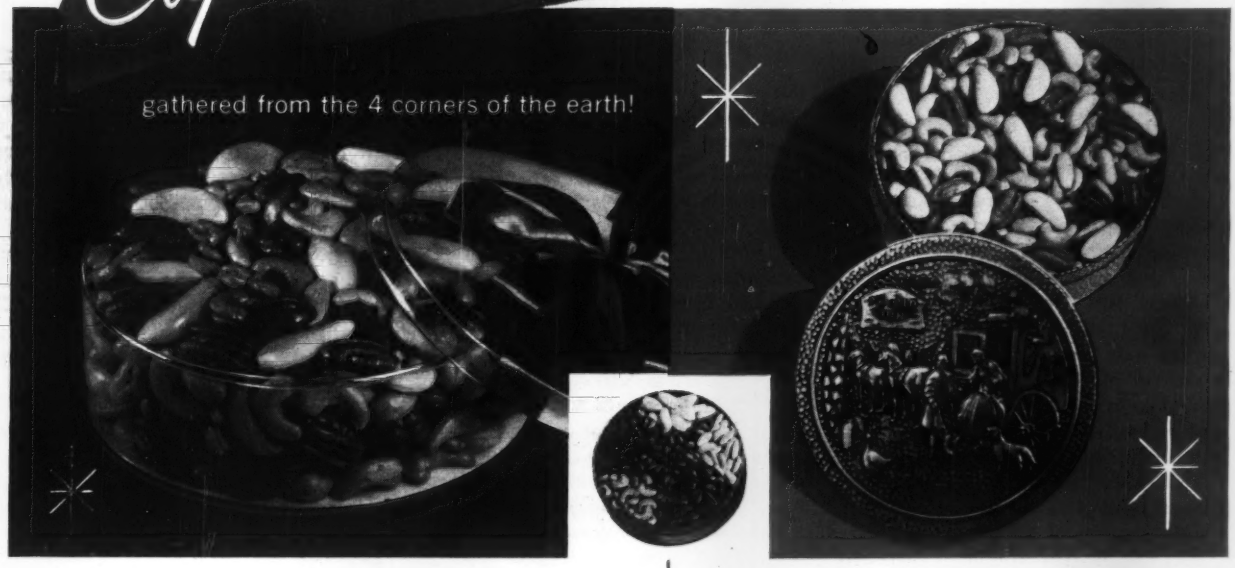
See Our Complete Gift Line in October's Dun's Revie

GIVE WONDERFUL GIFTS OF...

Capco® Nuts

This Christmas give something you *know* they'll enjoy . . . a rare taste treat of famous CAPCO IMPERIAL MIX salted nuts. This delicious blend of domestic and imported nuts carefully gathered from the 4 corners of the earth, is skillfully roasted, salted, and blended by skilled Peterson master chefs, in modern CAPCO kitchens.

Famed CAPCO IMPERIAL MIX is the finest nut assortment available. Giant Cashews, Giant Pecans, Giant Redskin Almonds, Giant Blanched Almonds and Blanched Brazils from the best world sources of supply . . . processed on the day of shipment insuring a tangy and tasteful flavor. You cannot give anything finer . . . or more appreciated.



TRANSPARENT GIFT BOXES

. . . our most popular item!

These gleaming, clear acetate boxes are packed to the brim with the finest salted nuts obtainable . . . famous IMPERIAL MIX! Only our very best are processed to perfection and offered in this attractive package. The boxes are tied with sparkling satin bows . . . all carefully packaged in individual mailing cartons.

The three pound boxes are also available in a beautiful, eye-catching star sectional design. Red Pistachios form the star, with other sections of straight pack Cashews, Almonds, Pecans, Blanched Brazils and Imperial Mix.

GIFT NO.	SIZE	PRICE
9A	1 lb. Cello Box Imperial Mix 6" Diameter	$2.20
9B	2 lb. Cello Box Imperial Mix 7" Diameter	4.15
9C	3 lb. Cello Box Imperial Mix 8½" Diameter	5.95
9D	3 lb. Cello Box Star Sectional Design	6.40

Please specify Gift Number, Weight, and Price.

PLACE YOUR ORDER NOW . . .
USE THE CONVENIENT MAILING CARD
Take care of your holiday remembrances now without stirring from your chair! Fill out and air mail in the postage-free reply card. Your order will be handled the same day as received, and nuts will be roasted fresh from cold storage to insure finest quality and tastiness!

ROUND HAMMERED ALUMINUM BOXES...*embossed with Coach Design*

Your business associates, employees and friends will long remember this impressive gift filled with the world's finest . . . IMPERIAL MIX salted nuts. The handsome hammered aluminum box is embossed with an antiqued coach design prepared exclusively for CAPCO and can serve a 1001 useful purposes later on. All boxes are carefully packed in individual mailing cartons.

The three and five pound boxes are also available in the eye-catching divided star design centered with red pistachios and bordered with straight pack Cashews, Almonds, Pecans, Blanched Brazils and Imperial Mix.

The perfect-eating holiday treat!

GIFT NO.	SIZE	PRICE
8A	2 lb. Imperial Mix Assortment	$4.35
8B	3 lb. Imperial Mix Assortment	6.20
8C	5 lb. Imperial Mix Assortment	9.90
8D	3 lb. Imperial Mix Star Sectional Design	6.60
8E	5 lb. Imperial Mix Star Sectional Design	10.50

Please Specify Gift Number, Weight, and Price.

The Chas. A. Peterson Co.

917 Carnegie Avenue • Cleveland 15, Ohio • TOwer 1-4353

For CAPCO® nuts packaged in attractive reusable giftware see our ad in October DUN'S REVIEW.

sights high as soon as its labor troubles are straightened out.

Last year, it is worth noting, overloaded dealers had to push sales in order to clean up their stocks in the fourth quarter, even at the sacrifice of profit margins. But this year they will not have to cut into profits to move the cars. The new models, which ought to be available in growing numbers before year-end, will find a ready and willing market. Output, sales and profits should all show strong gains well into 1962.

In manufacturing and construction, low inventories continue to support the bright outlook.

Manufacturers' new orders for durable goods, which have shown sharp rises in recent months, are approaching new peaks. Meanwhile, sales and shipments have kept pace with new orders. As a result, manufacturers' backlogs of unfilled orders are still low, considering the current level of business. But increasing demand for new autos, stepped-up capital spending for new plant and equipment and a pickup in construction activity are bound to bring rising backlogs, which in turn will mean a healthy boost in manufacturing output.

Inventory building continues to spread, and there is every sign that businessmen will be adding to their stocks for months to come. Throughout the economy, inventories are still down in relation to sales and output.

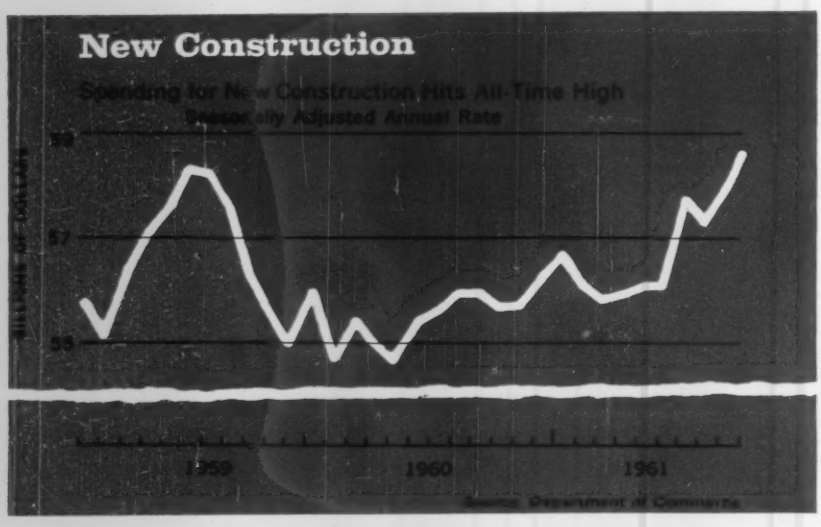
To a degree, of course, that situation is going to persist. With enlarged production capacity, better distribution methods and more effective inventory controls, many businessmen will succeed in reducing their inventory levels permanently. But even so, all signs point to an over-all step-up in stock accumulation in the months ahead.

Construction, to date a main force in the recovery, is breaking through to new highs. Total dollar volume of work put in place recently hit an annual rate of $58.4 billion. In doing so it broke the previous all-time record of $58.2 billion, which had stood for well over two years. Public construction was the big gainer. But private construction has also shown considerable strength, despite the slack in home building.

Reluctant consumers seem to be getting ready for the kind of action that the economy needs.

Unless all signs fail, U.S. consumers are about to head for the stores in force, ready and willing to buy. We are now at the point—eight months or so past the bottom of the recession—when consumers usually start buying again in earnest. Unemployment has shown signs of sloping down from the 6.9% level. And while prices have held steady, personal income has been rising and installment debt has stayed manageable.

At a seasonally adjusted annual rate, consumer spending rose from $330.7 billion in the first quarter to $336.1 billion in the second quarter. In the third quarter, it probably approached $340 billion, and a continued fourth-quarter rise is in the cards. Encouraging gains have already shown up in sales of furniture, refrigerators, stoves, television sets and home laundry equipment.



The profits pinch shows signs of easing.

Profits are picking up for businessmen in a wide variety of lines. Acutely aware of the labor-cost push, management is fighting to widen its margins. Thanks to the spread of automation, along with other cost-cutting measures, it can expect to do still better in 1962. And the sales outlook contributes to a healthy business picture in the months ahead.

Businessmen, of course, will be eagerly watching further Administration moves to stimulate profits and investment in new equipment. The Treasury has already announced that textile concerns will be allowed faster write-offs on certain machinery to enable them to modernize and meet foreign competition more effectively. And Administration spokesmen have stated that the same policy will apply to other industries beset by rapid technological change.

The outlook for investment in plant and equipment, meanwhile, continues bright. Manufacturers have been moving in recent months to shave their unit costs and strengthen their competitive positions through modernization. As a result, orders for new equipment have shown a good deal of spark. Even if Detroit's troubles dampen that spark a little for the time being, the rise in new orders should continue. Factory construction awards, which have shown sporadic but significant gains in recent months, should also continue to advance.

And, it is worth noting, if Congress goes along with Administration plans to allow tax credits to spur investment in new equipment, business spending on new plant and equipment will rise. Just how sharp that rise may be will depend, of course, on the exact nature of those incentives.

Government monetary policy continues to favor business expansion, and no restrictive moves are in sight. The Federal Reserve Board is maintaining the free reserves of its member banks at comfortable levels, and there have been no signs of an increase in the rediscount rate—a step which had already been taken at this stage of the previous recovery. Washington, in fact, is carefully maintaining every inducement to continued economic growth while keeping its eye on the price structure. Business needs time now to consolidate its gains, but rises in 1962 will be carefully watched for signs of price inflation.

—JACKSON PHILLIPS

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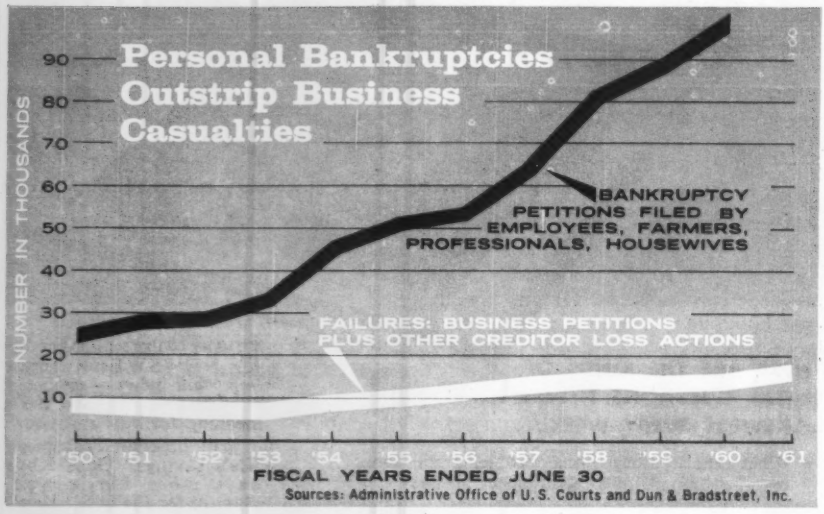
Business Failures

Casualties resume downturn
All regional tolls lower



SWINGING back after a freak upsurge in August, business failures dropped 20% in September to 1,285. Just slightly above the 1961 low of 1,275 in July, the toll was only 1% higher than last September's figure. The casualty rate in relation to the business population also fell back, standing at 67.5 per 10,000 enterprises listed in the DUN & BRADSTREET REFERENCE BOOK.

A single giant casualty, topping the $40-million mark, raised the month's dollar liabilities to $116.7 million. Without that big failure, it is worth noting, total liabilities would have sunk to a level one third below that of August and 14% below September 1960.

Almost a third fewer manufacturers and construction contractors succumbed in September than in August. In the metals and machinery industries, only half as many firms went under, and textile and apparel manufacturing tolls also dropped sharply. All types of contracting suffered fewer failures than a month earlier, with the steepest downturns among general builders and heavy construction contractors. In retailing, where the overall toll was down by a sharp 22%, only drug and appliance stores showed an increase. Mortality was much lower in general merchandise, apparel, hardware and automotive trades.

In this generally bright picture, wholesaling remained a dark spot. Here, largely as a result of heavier tolls in the food trade, failures continued to rise. Casualties among service businesses also climbed, with transportation, business services and repair shops taking the brunt.

On a year-to-year basis, both manufacturing and construction tolls fell

continued on page 18

THE FAILURE RECORD

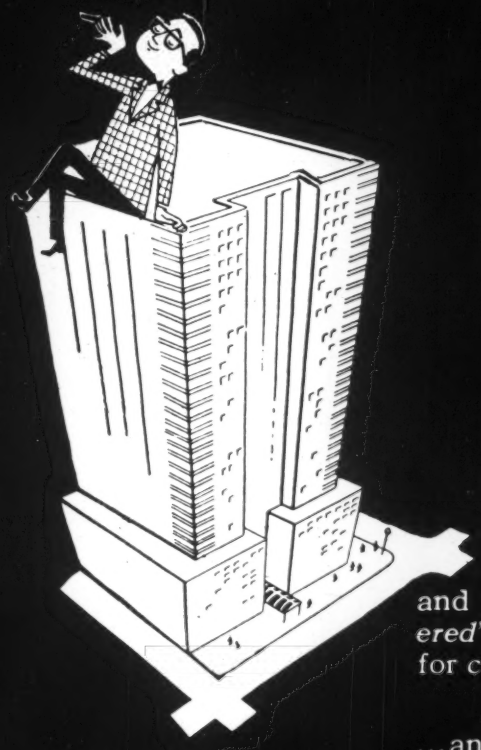
	Sept. 1961	Aug. 1961	Sept. 1960	% Chg. †
DUN'S FAILURE INDEX*				
Unadjusted	58.7	67.7	56.7	+ 4
Adjusted, seasonally	67.5	74.4	65.2	+ 4
NUMBER OF FAILURES	1,285	1,604	1,269	+ 1
NUMBER BY SIZE OF DEBT				
Under $5,000	146	190	122	+20
$5,000—$25,000	575	704	553	+ 4
$25,000—$100,000	422	518	443	− 5
Over $100,000	142	192	151	− 6
NUMBER BY INDUSTRY GROUPS				
Manufacturing	182	260	218	−17
Wholesale trade	167	164	116	+44
Retail trade	614	789	604	+ 2
Construction	183	262	218	−16
Commercial service	139	129	113	+23
LIABILITIES (*in thousands*)				
CURRENT	$116,664	$102,693	$80,604	+45
TOTAL	116,931	102,718**	82,124	+42

*Apparent annual failures per 10,000 enterprises listed in the DUN & BRADSTREET *Reference Book*.

**Revised

†Per cent change, September 1961 from September 1960.

In this record, a "failure" occurs when a concern is involved in court action or voluntary action likely to end in a loss to creditors. "Current liabilities" here include obligations held by banks, officers, affiliated and supplying companies, or the government; they do not include long-term publicly held obligations.



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and you truly *"belonged there"* because you *"discovered"* the MOST UNUSUAL Christmas gift-giving idea for *customers, employees and friends* EVER SEEN.

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If YOU buy gifts *(between $7.50 and $100.00 each)*, you'll *surely* want to see this *unusually practical, sensationally simple* and *refreshingly different* way of saying "THANK YOU" to the people who are IMPORTANT TO YOU AND YOUR COMPANY.

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Please send further information about your 1961 Gift Bookard program.

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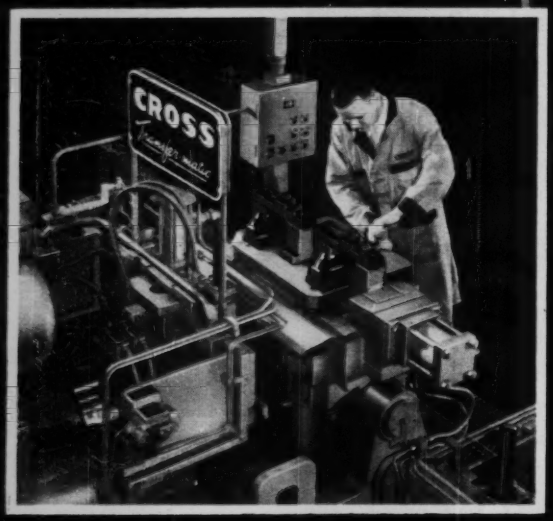
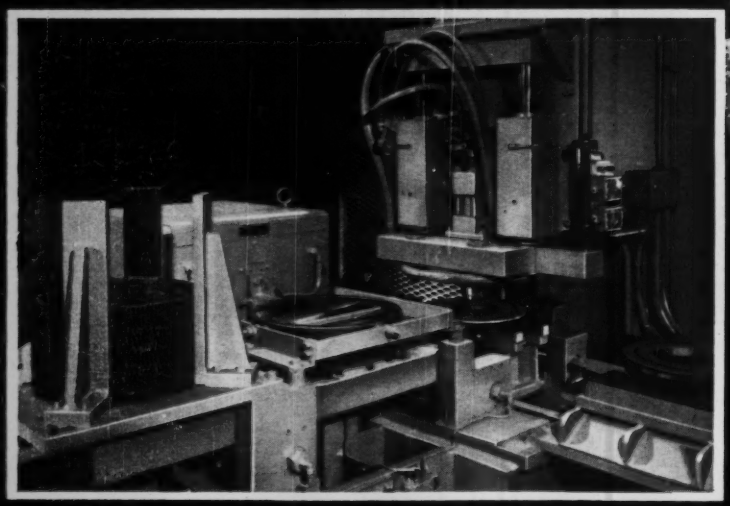


In Section 1, tool slide units pivot to a convenient position for ready access to cutting tools.



The ring gears, stacked at the left, are heated in an induction coil in the center, pressed on the flywheel at the right and shrunk in position by a cold air blast.

Another Automation First by Cross

Transfer-matic Completely Processes Flywheels and Assembles Ring Gears

Machining Operations Include Facing, Turning, Boring, Chamfering, Drilling and Tapping

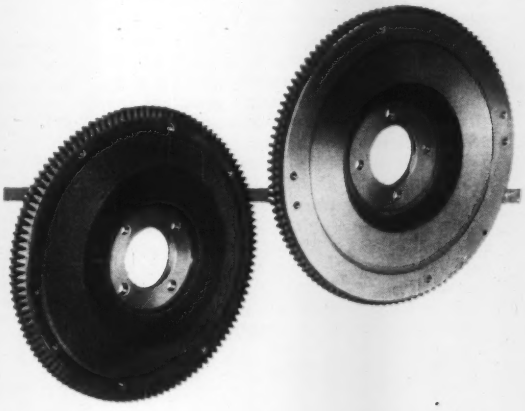
New Cross building blocks make it possible to complete a wide variety of operations in addition to drilling and boring.

This Transfer-matic, which completely processes two different automobile flywheels at the rate of 132 per hour, is evidence of the advances which have been made.

Major developments include standard chucking units to rotate the part during turning, facing, and boring; the use of both carbide and ceramic throw-away inserts to assure proper cutting of different diameters at a single spindle speed; individually adjustable cartridge type tool holders to maintain close tolerances; and integrated equipment to assemble the ring gear.

The machine consists of two sections to handle two distinct classes of operations. The first section performs the facing, turning, boring, undercutting and chamfering operations. Drilling, reaming, tapping, cleaning and ring gear assembly take place in the second section. The two sections are normally operated as one machine. A banking station between sections permits either to continue when the other is stopped for tool changes.

Quick changeover for the two flywheel designs is achieved by such features as the use of eccentric spindles to machine different hole patterns.



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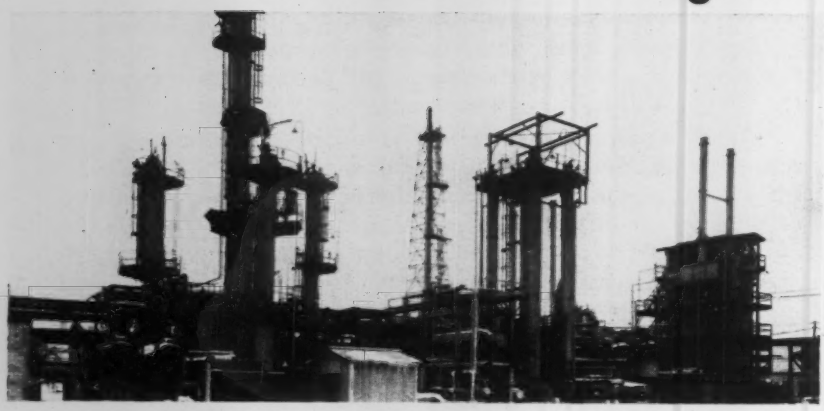

***Gulf Oil Corporation's** multi-million dollar petrochemical complex at Philadelphia*

Climaxing a decade of rapid expansion into the petrochemical field, Gulf Oil Corporation this year augmented its operations in Philadelphia with a new, multi-million dollar oxo-alcohol unit, and the start of construction on an equally extensive benzene-cumene complex.

In commenting on this major expansion, Dr. Alexander Lewis, Jr., vice-president in charge of Gulf's petrochemical department pointed out, "The largest consumption center of our economy is still in the northeastern part of the country. The commendable progress in efficiency of operations at our Philadelphia Refinery has encouraged us to place additional facilities here, inasmuch as raw materials for these processes are easily transportable; and Philadelphia provides a strategic point from which products of these three new units can be shipped both abroad, and to domestic users."

Dr. Lewis further added, "Of equal importance in our decision was the degree of stability and responsibility exhibited by leaders of the community and the Commonwealth. This forward-looking attitude in providing a progressive community atmosphere goes far in encouraging the development of new projects by existing industry, and the attraction of new industry to the area. We are proud of the generally harmonious labor relations we have enjoyed in Philadelphia, and are confident these excellent relations will continue in the future."

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Room 425 • South Office Building • Harrisburg, Pennsylvania
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continued from page 14

substantially, while wholesaling and service business rose steeply—by 44% and 23%, respectively. On the retail scene, there was little year-to-year change in general merchandise, apparel, building materials, autos and restaurants. But drug and food store failures ran moderately higher than in September 1960, and quite a few more appliance and floor covering dealers succumbed.

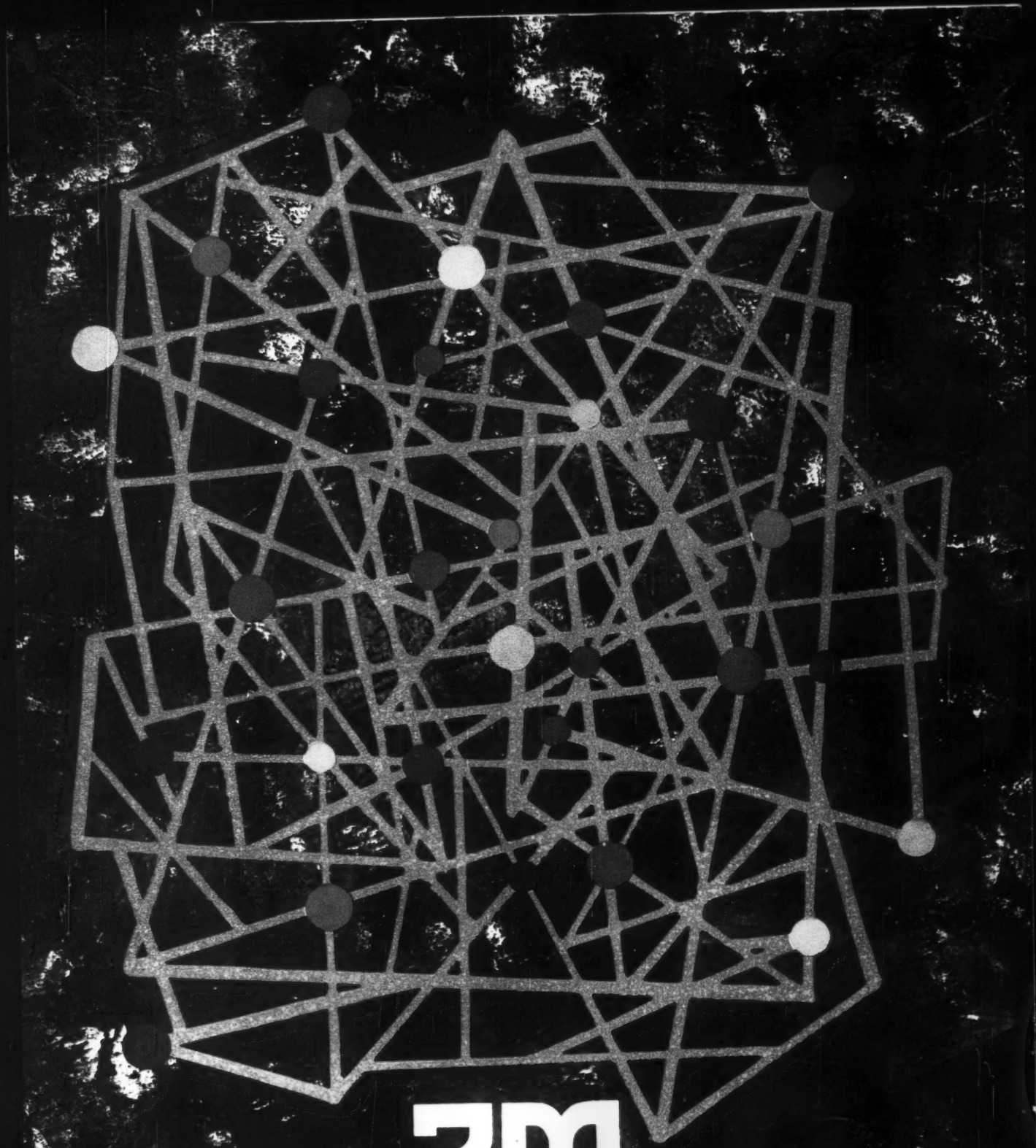
Geographically, every region benefited from the over-all decline in failures from August to September. New England and West South Central tolls, in particular, were the lowest in more than two years. Only four areas, however, showed lighter business mortality than a year ago. Two others, the Pacific and West North Central States, reported little change. Meanwhile increases over September 1960 showed up in the Middle Atlantic, South Atlantic and Mountain Regions, the result of sizable climbs in New York, Florida and Colorado.

FAILURES BY DIVISION OF INDUSTRY

	Cumulative total (Nine Months)		Liabilities in million $ (Nine Months)	
	1961	1960	1961	1960
MINING, MANUFACTURING	2,118	1,921	252.4	225.8
Mining—coal, oil, misc.	75	69	11.9	15.8
Food and kindred products	119	127	16.6	26.3
Textile products, apparel	361	313	34.3	27.1
Lumber, lumber products	388	398	29.1	30.2
Paper, printing, publishing	184	141	13.8	8.8
Chemicals, allied products	70	47	4.8	3.6
Leather, leather products	57	65	4.6	10.4
Stone, clay, glass products	42	34	3.2	3.7
Iron, steel, products	146	120	64.6	19.6
Machinery	204	206	20.3	36.3
Transportation equipment	93	88	20.1	12.0
Miscellaneous	379	313	29.1	32.2
WHOLESALE TRADE	1,329	1,080	102.0	79.9
Food and farm products	249	243	17.7	23.2
Apparel	49	37	2.8	3.2
Dry goods	27	26	2.0	1.0
Lumber, bldg. mats., hdwre	175	133	18.2	10.9
Chemicals and drugs	41	32	1.9	1.2
Motor vehicles, equipment	93	90	4.2	5.6
Miscellaneous	695	519	55.1	34.8
RETAIL TRADE	6,331	5,519	269.7	177.5
Food and liquor	862	794	58.9	21.1
General merchandise	242	203	13.4	11.3
Apparel and accessories	872	764	34.0	19.9
Furniture, furnishings	804	735	40.3	30.3
Lumber, bldg. mats., hdwre	412	357	17.2	14.6
Automotive group	1,154	951	40.8	32.7
Eating, drinking places	1,206	1,043	39.4	30.4
Drug stores	143	116	4.1	3.0
Miscellaneous	636	556	21.6	14.3
CONSTRUCTION	2,110	1,903	142.8	138.7
General bldg. contractors	802	733	65.7	78.1
Building subcontractors	1,180	1,053	58.4	51.0
Other contractors	128	117	18.7	9.6
COMMERCIAL SERVICE	1,128	1,014	68.3	71.8
TOTAL UNITED STATES	13,016	11,437	835.2	693.7

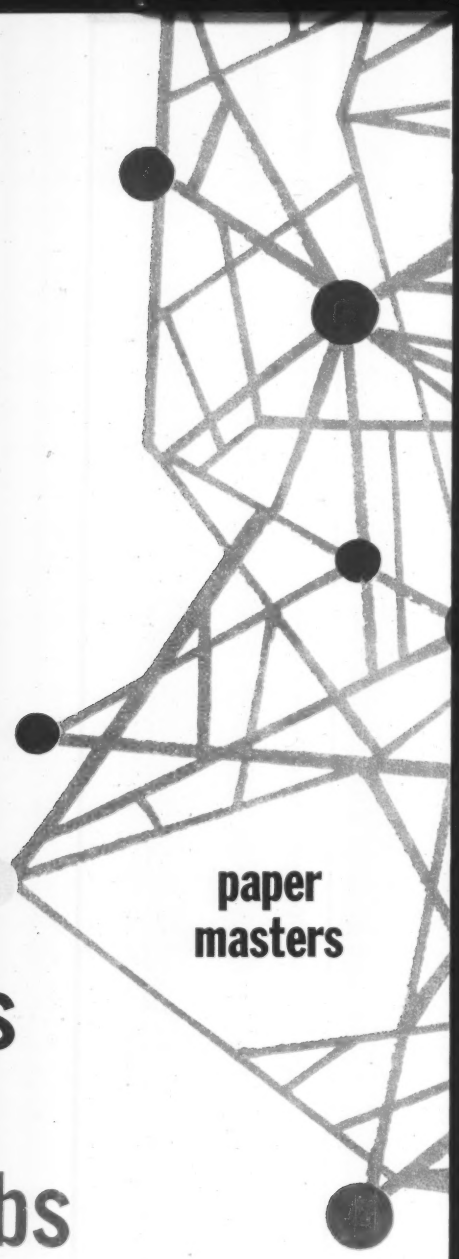
Liabilities are rounded to the nearest million; they do not necessarily add up to totals.

This report was prepared in the Business Economics Department by Rowena Wyant.



HOW 3M COMPANY

SERVES BUSINESS COMMUNICATIONS



speed communications with the one machine that does all these jobs

3M's development of the "Thermo-Fax" Brand Copying Machine has made effective business communications possible. Compact and inexpensive, this versatile business machine can be placed in any number of strategic locations, permitting quick, accurate on-the-spot reproduction. All electric, anyone can operate it, and it is *fast*—copying almost anything printed or written in just 4 seconds!

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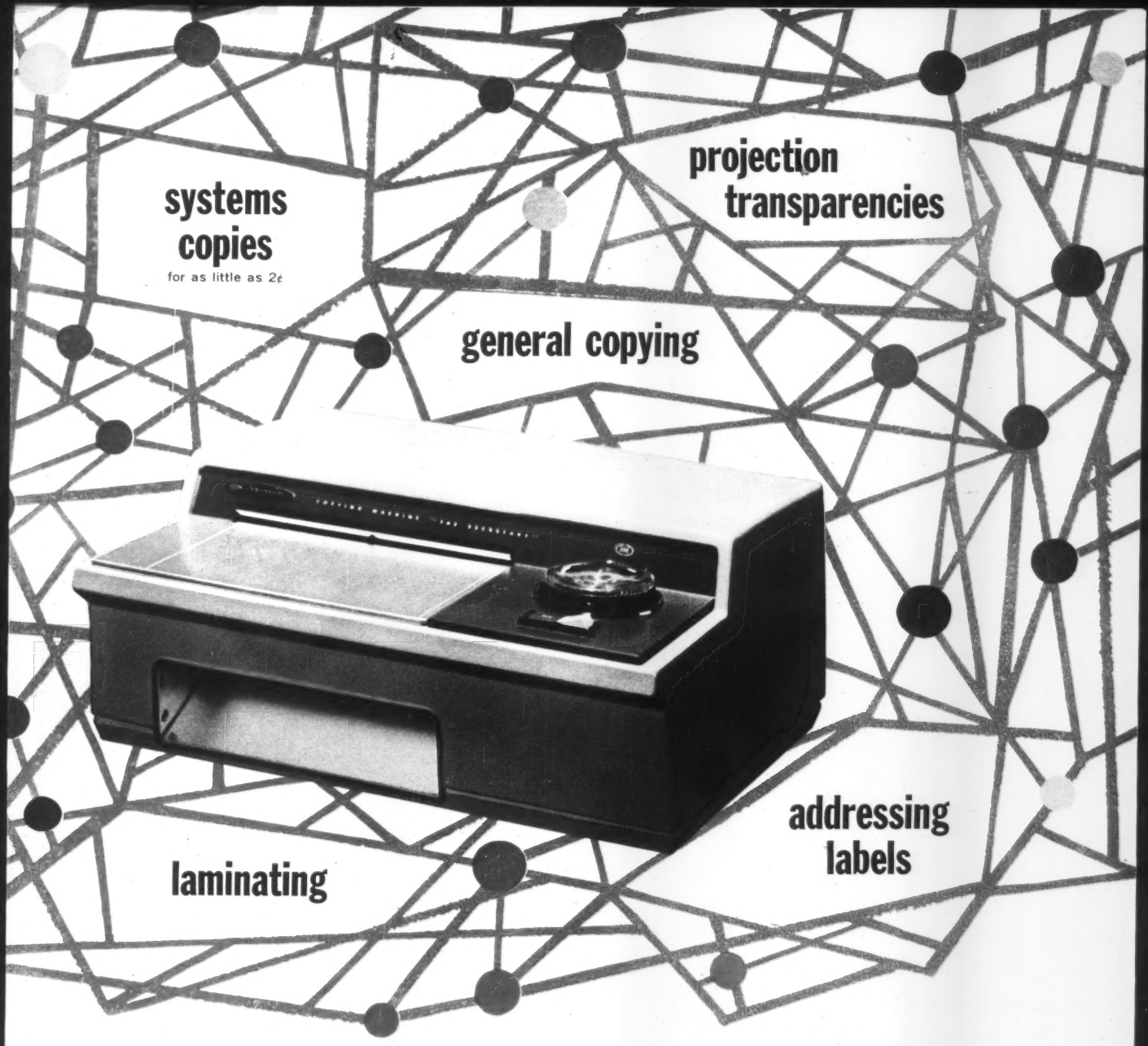
And, the versatility of the "Thermo-Fax" Business Machine doesn't stop there. It makes the "short note reply" possible—now you can answer a letter with a marginal note on the original, keep the original and send a copy to the writer. It addresses gummed, perforated mailing labels. The "Thermo-Fax" Business Machine also laminates—protecting and beautifying important papers in plastic film. These and other recent applications make the "Thermo-Fax" Copying Machine the most versatile business machine in the business world.



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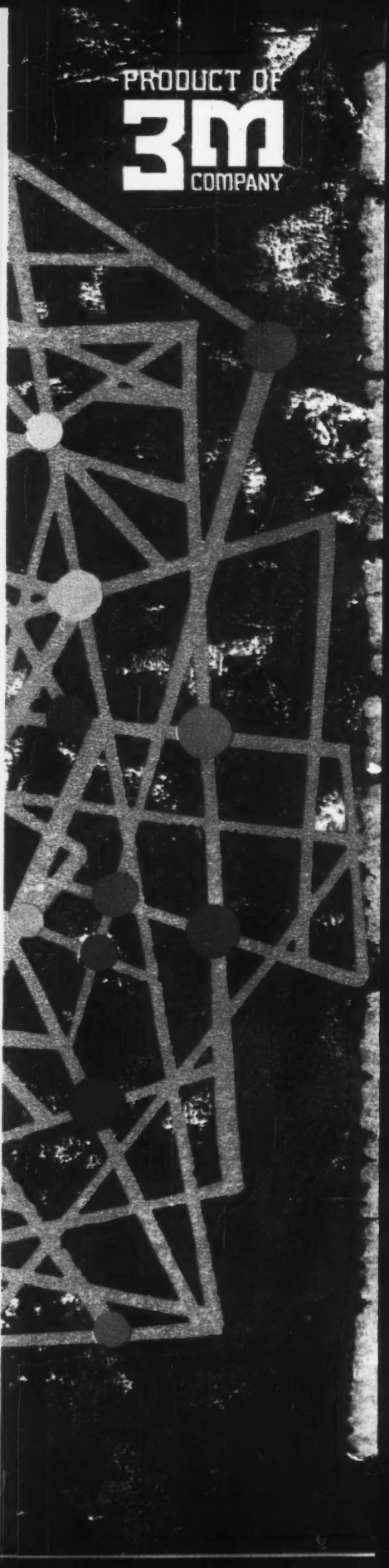

The "Specialists in business communications" reputation of the 3M Company stems from years of research. Studies have been made of the communications problems of major industries. Programs recommended by 3M have helped solve many of these problems. Most of these programs are in booklet form and available on request.

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Letters to the Editor

Political Debate

SIR: Allow me to enter a strong dissent to the views of my good friend Jim Farley as expressed in your September issue ("Businessmen Don't Know Politics," DUN'S REVIEW). His premise—that political action programs for businessmen have failed because they encourage "starting at the top" in politics—is way off base.

I can't speak for any other political action course, but I can assure you that the U.S. Chamber course does not teach "starting at the top."

Quite the contrary. It starts at the bottom, and it has been effective in scores of communities and states around the nation. It is growing in acceptance and strength and will prove valuable for both the Republican and Democratic parties.

To say that such programs do not encounter difficulties and problems would be foolish. But it is a fact that this is the first program that is completely non-partisan and that has been successful in teaching people (not merely businessmen) how to be effective at the precinct level where they live and vote.

This is the premise on which this course was built, and it is the reason why almost a quarter of a million graduates have become active in the party of their choice in the precinct where they vote.

In conclusion, I must agree with your statement: "Too often businessmen are afraid to get involved in politics." Nothing is going to change this overnight, but it must be changed, and I feel that where companies are using the U.S. Chamber course, the change has taken place. It is a change for the better.

ARTHUR H. MOTLEY
Chairman of the Board
Chamber of Commerce of the U.S.
Washington, D.C.

SIR: I am going to take an active interest in the articles presented in your magazine, especially when men like James A. Farley make rash statements with little regard to facts.

Disregarding his inference that only the Democratic Party is salvation for all, I refer to the point where he states that "the nation's economy was saved by the Democrats in 1933, when the banks were insolvent and the insurance companies virtually bankrupt."

For Mr. Farley's information, the entire Government Public Work System in 1933 circulated a total of $712 million into the U.S. economy. The insurance companies of the U.S. and Canada put $2.3 billion into circulation in 1933, and during the 1930s these insurance companies poured $27 billion into the economy through death benefits, annuity payments, matured endowments, dividends, loans, etc.

This does not indicate to me that these companies were virtually bankrupt in that particular area.

EARL S. CHRISTY
Manager
Insurance Co. of North America
Miami, Fla.

SIR: Brilliant! Few articles in any business publication have been as well done or have spotlighted a problem so thoroughly. Of course, you were working with a man who is a real professional in politics.

As a financial public relations executive, I work 9 to 5 on Madison Avenue. But in the evening, the year-round, I work in politics in New York City. What Mr. Farley says is so true—the rough and tumble of politics is something entirely different from the business world.

It takes real hard work getting to know the average voter in the community. No matter how high one might climb in politics, there is no substitute for this personal approach. As Mr. Farley points out, too many businessmen are aloof to this type of politics.

ROBERT K. OTTERBOURG
Forest Hills, N.Y.

SIR: My family has been active in New York politics for two generations, and it is obvious to us that Mr. Farley pulled no punches in his replies. This is the kind of reporting that has made DUN'S REVIEW a more interesting magazine lately.

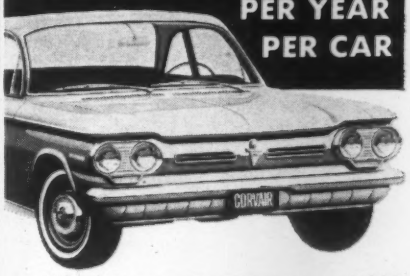
I was not at all surprised when a colleague in Washington told me the article had been inserted in the *Congressional Record*. After all, it is probably the first article on politics in any business magazine that dropped the preaching and talked about life as it is.

WILLIAM H. OLTARSH
New York, N.Y.

Kind Words

SIR: I have got plenty of things to do besides writing letters to editors, but the merits in this case justify the time. We have been comparing DUN'S

SAVE up to $500 PER YEAR PER CAR



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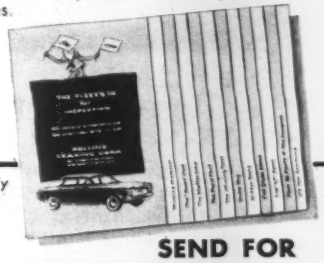

*Slightly higher West.

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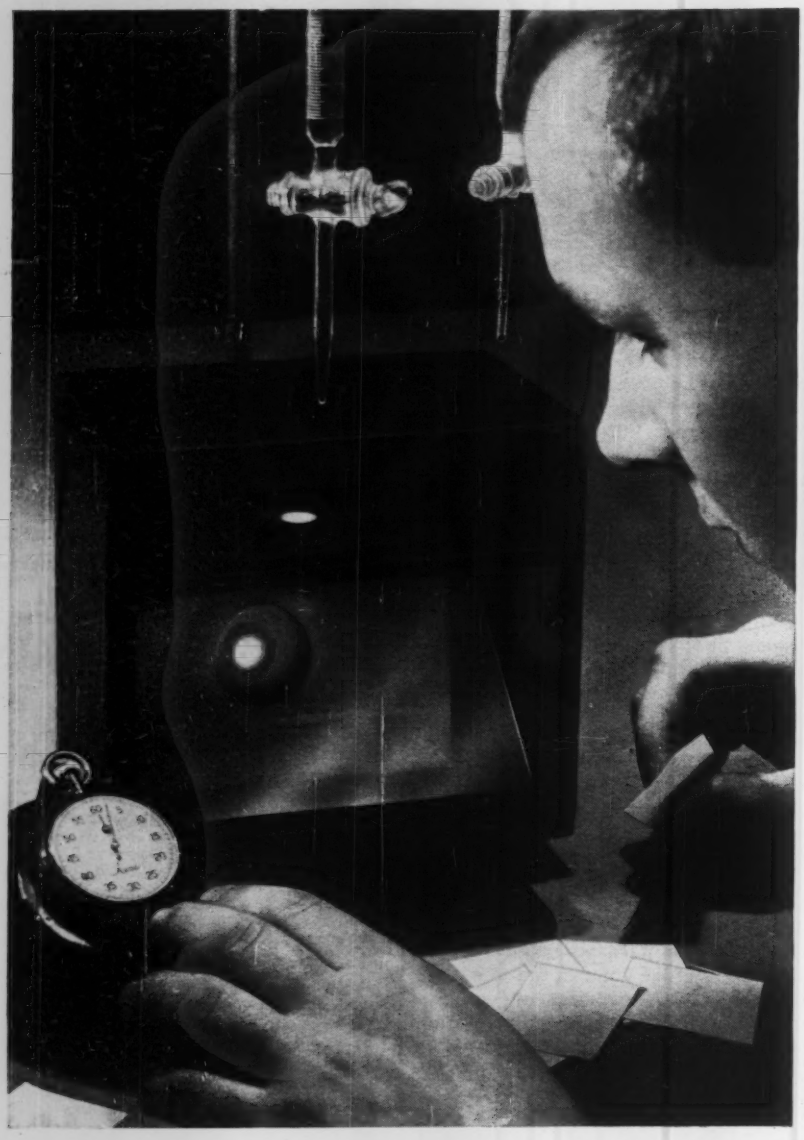

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REVIEW with two other business magazines over a period of months. We are eliminating these two publications from our reading list and will use DUN'S REVIEW solely.

I suppose few people take the time to tell somebody that they don't know that they appreciate a good job, and I am no exception as a rule.

PAUL J. OCKEN
Vice President & General Manager
Graphic Arts Industry Inc.
Minneapolis, Minn.

SIR: Having had a chance during the last few years to look at some of the other periodicals, believe me, none of them have as good a cross section of pertinent and timely information as one finds in DUN'S REVIEW.

ALEXANDER H. WHITE
Montreal, P.Q., Canada

Office Report

SIR: "The Decision That Can't Wait" (DUN'S REVIEW, September) is one of the most comprehensive reports I have ever read on this subject.

STANLEY A. DASHEW
President
Dashew Business Machines, Inc.
Los Angeles, Calif.

SIR: You have done an excellent job in presenting the picture of imports of foreign office equipment ("The Invasion from Abroad"), and I congratulate you for your work.

EDWIN A. ELBERT
Asst. to the Executive VP
National Council of American Importers Inc.
New York, N.Y.

SIR: In the section "It's the Results that Count," I was amazed and annoyed to see a savings and loan association referred to as a bank. There is considerable difference in the two institutions.

When money is placed with a savings and loan association, it is not deposited resulting in a creditor-debtor relationship. Rather it is an investment resulting in the customer becoming a shareholder in the association. Only banks may accept deposits according to law, and therefore they must maintain sufficient liquidity and reserves to pay those deposits when requested by customers.

This is not true of savings and loan associations, whose funds are almost totally loaned out. Therefore, the public should not be misled in thinking that placing money in the two types of institutions is the same.

GRIFFITHS C. CARNES
Comptroller
Texas Bank & Trust Co. of Dallas
Dallas, Texas

Pioneered by Pratt & Whitney Aircraft and Mobil®...

A REVOLUTIONARY APPROACH TO PLANNED LUBRICATION AND PREVENTIVE MAINTENANCE THROUGH DATA PROCESSING

—achieving tremendous economies.

ON THE FOLLOWING PAGES, Mobil presents an important new technique in plant lubrication and preventive maintenance management developed by Pratt & Whitney Aircraft Division of United Aircraft Corporation, with Mobil help.

It is an impressive example of how Mobil customers can benefit from the skill and scope of the largest lubrication service program in the industrial field. It is worth the careful attention of every executive who seeks maximum efficiency and lowest cost in the operation and maintenance of industrial and fleet equipment.

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Reprints of this advertisement are available.

SEE FOLLOWING PAGES
FOR DETAILS----------→

Data Processing Control of Maintenance Costs

RESULTS:

IN 3 SHORT YEARS—1958 TO 1961— PRATT & WHITNEY AIRCRAFT HAS REAPED THESE BENEFITS IN THE MAINTENANCE OF 12,000 PRODUCTION MACHINES

1. Increased efficiency of machine repair department by 40%.
2. Reduced unscheduled or emergency calls by 25%.
3. Increased productivity of lubrication department personnel by 35%.
4. Purified and re-used 150,000 gallons of lubricating oil each year.
5. Reduced loss of lubricant by leakage by 4,200 gallons per month.
6. Reduced maintenance hours per year on a battery of tracer controlled units from 1,879 to 243; reduced number of repair calls by 72%.
7. Reduced number of lubricants in service from 44 to 18.

QUICK ANSWERS TO MAINTENANCE PROBLEMS

The data processing system at Pratt & Whitney Aircraft schedules 90 separate maintenance operations on 12,000 production machines in three plants. It keeps tabs on what was done, how long it took, what it cost. It spotlights lubricant waste, excessive repairs, unscheduled down time, and high maintenance cost units.

Don Nigro (right), Pratt & Whitney Aircraft Master Mechanic, shows Mobil Field Engineer Bill Allman how the computer system automatically schedules most efficient maintenance by printing instruction cards for each machine.

Mobil

How Pratt & Whitney Aircraft Revolutionized Its Lubrication and Preventive Maintenance with Mobil Help.

Mobil Program of Correct Lubrication Protects 12,000 Production Machines Built by 400 Different Equipment Builders.

In 1958, Pratt & Whitney Aircraft, the world's leading designer and manufacturer of jet engines took a bold forward step in reducing and controlling maintenance costs. P&WA decided to program into its data processing control system all information necessary to provide both the scheduling and recording of all maintenance operations: what to do, when, where, and was it done, who did it, time consumed, volume of lubricant used, unscheduled calls, and other deviations from normal.

With a total of 12,000 production machines built by over 400 different equipment manufacturers located in three separate plants, this posed a gigantic problem requiring detailed knowledge of every piece of equipment. Mobil was the logical source of help for specific lubrication application data because of Mobil's established Equipment Builders Service which regularly maintains contact with 5,000 machinery builders the world over.

How It Works

P&WA has computerized the scheduling of all routine machine service functions. Automatically scheduled on a periodic basis are 90 different routine machine service functions totaling over 18,000 operations in three plants. Examples of these service functions are: change coolant, filter coolant, change hydraulic system, periodic machine inspections, etc. Scheduling by computer has released foremen from the requirement of manually scheduling an operation which is too complex to be done in this manner. The results show not only a substantial reduction in labor and material costs, but a better job.

Daily machine maintenance activity is collected in the form of punched paper tape. From the tape is maintained a complete maintenance history record for each machine which includes down time, repair costs (labor and material) and a complete description of work done. The repair history and machine condition reports which are coded and shown on the master record are used for considerations of machine application, overhaul or replacement. Runoffs by machine type and department are used to point up problem areas so that the best thinking of both maintenance supervision and operating supervision can be brought to bear. In addition, reports are compiled on starting and completion dates, work backlogs in hours, employee records and departmental performance.

How Mobil Helped

For many months Mobil's technical staff worked with P&WA production engineers to standardize and simplify machine lubrication and hydraulic system procedures. For each piece of equipment, a master card was prepared listing parts to be lubricated, lubricant used, frequency of re-application, system changes, filter changes and personnel responsibility.

The complexities of analyzing the lubricant recommendations of the 400 manufacturers were simplified by Mobil contacts with these builders. As a result, the number of lubricants was reduced from 44 to 18 with the builders' approval. This was far more complicated than the usual "survey," involving frequency, coding, inspection and preventive maintenance. Concrete recommendations were made by Mobil in these areas. With this specific information on hand, P&WA programmed these factors into the data processing control system. In setting up the system, the goals were:

1 *To establish an accurate control of work arrangements to facilitate scheduling, to establish completion times.*

2 *To reduce unscheduled down time and machine part replacement costs from lack of adequate lubricants.*

3 *To develop accurate follow-up information regarding correct use of predetermined lubricants, proper frequencies maintained, adequacy of filter and lubricant change periods.*

4 *To spotlight chronic leakers or high lubricant make-up units.*

5 *To spotlight high maintenance cost units.*

6 *To identify need for machine design improvements as determined by specific local uses.*

As a result of careful planning and intimate knowledge of all machine requirements, an automatic system of inspection, lubrication and maintenance was set up. Mobil preventive maintenance methods were adopted for all hydraulic and circulating systems. Inspections indicated the need for filtering circulating oils in place every six months. Automatic lubricators were installed where applicable to reduce the more frequent application periods and to conserve lubrication personnel time. Troublesome systems were carefully cleaned using special Mobil flushing techniques.

Clinics were conducted for maintenance, repair and other personnel. Special devices were used to permit quick connection of couplings to portable filters; high-volume pumps reduced time in changing reservoirs; improved grease-gun loading equipment was adopted. A definite leakage control program was adopted to balance lubricant cost against leakage. Steps were also taken to correct individual problems that consume excessive personnel time.

The system works. Today, three years later, the impressive benefits on the opposite page have been chalked up. The reduction in maintenance costs over this period totals several hundred thousands of dollars.

Three important conclusions can be drawn from this work:

1 The outstanding success of this achievement reflects the progressive Pratt & Whitney attitude that has led to distinguished accomplishment in many technical fields.

2 Mobil, with the largest and most experienced technical lubrication staff, is best equipped with the engineering manpower necessary to help customers do this kind of a pioneering job.

3 Properly programmed, data processing control offers tremendous possibilities for cost reduction in industrial lubrication and maintenance.

IF YOU HAVE COMPUTER TIME AVAILABLE... AND A PLANT OR FLEET THAT COSTS TOO MUCH FOR MAINTENANCE... IT WILL PAY YOU TO CONSULT MOBIL.

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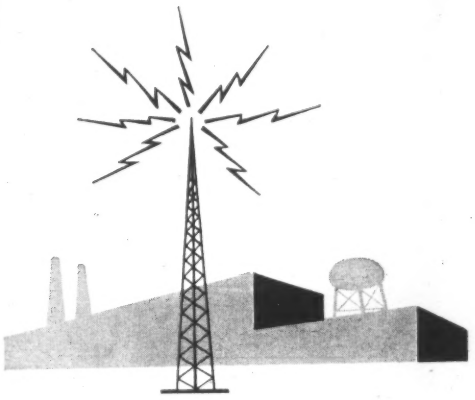

Voice of Industry

Time for Decision

Thomas J. Watson Jr., Chairman, International Business Machines Corp., to the National Industrial Conference Board: Today our country needs decision makers as never before. In business, stalled decisions are like leeches, and all of us constantly fight to keep the leech load of our business down to a minimum. The problem is heightened by conflicting interests which grow up between segments of even very well-run big businesses.

In Big Government, as in Big Business, the decision-making process tends to slow down as the Government grows. When we were a young country the ambitions and desires of the Founding Fathers and most of the people were generally parallel. Since then, several things have cluttered up our national decision-making ability. Like business, it's been hampered by the present era of American bigness. Big Business—Big Labor—Big Government. Each builds a group with interests divided between their own area and the future of Big America. And within each group there are other groups with even narrower interests. These many groups often overemphasize their narrow aims, and this divides our National Purpose.

Furthermore, through our brilliance in building our high standard of living, we have made the average American a pretty comfortable fellow. We don't want things nearly as badly as we did several decades ago. Too many of our national goals are behind us. The national promise of the early Thirties has been achieved. But the chicken in our pots tends to obscure the fact that we are facing a question of national—if not world—survival.

Only sixteen years ago we had reached a high mark in our nation's success. We had won a great war. We were admired by nearly every nation on earth. We had finished three terms of a controversial but great President. We had altered our social system in a constructive and major way. America had fulfilled many of our dreams.

But now, as we look over the past sixteen years, we see that events have caused us to slip from that position of world leadership. As we reflect on our business experience in the area of decision-making against what has happened to our country, we can conclude that one of the important reasons for our present difficulties has been an inability to focus on important problems and make decisions at the proper time.

For instance, had we made an affirmative decision in the missile area in the early 1950s, would we not have a good deal more international prestige today? If we had recognized the poverty of Latin America and advanced the Good Neighbor Policy after the war, would we perhaps not have Cuba in our laps and substantially more strong allies south of the border? If we had focused on the fact that a divided Germany and a divided Berlin certainly was going to become more and more complex as the years went on, would we not have worked harder towards bringing about a sensible solution to

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this problem before it was necessary to come to the brink of war to show the Soviet Union we mean business?

I don't mean to suggest that we are not doing precisely the right thing in Berlin today. But I believe we are doing the right thing because events have forced us to make our decisions. If we had been able to force ourselves to make decisions a decade ago, the decisions being forced upon us today might never have arisen.

Quality Counts Most

Dr. A. V. Feigenbaum, Manager of Manufacturing Operations and Quality Control, General Electric Co., to the European Organization for Quality Control: Over 90% of quality costs in U.S. industry are being spent to correct product defects after they have occurred, while less than 10% are being spent to make products right in the first place. A fortune is going down the drain because of product failures; another large sum is wasted to support an inspection screen to try to keep too many bad products from going to customers. But comparatively nothing is invested for the true defect-prevention technology that can do something about reversing the vicious upward cycle of higher quality costs and less reliable product quality.

Customer demands toward higher and higher quality will inevitably intensify rather than diminish over the next few years. Consumers everywhere are progressively more minute in their examination of the finish of appliances or in their judgment of the fidelity of radio and television sets.

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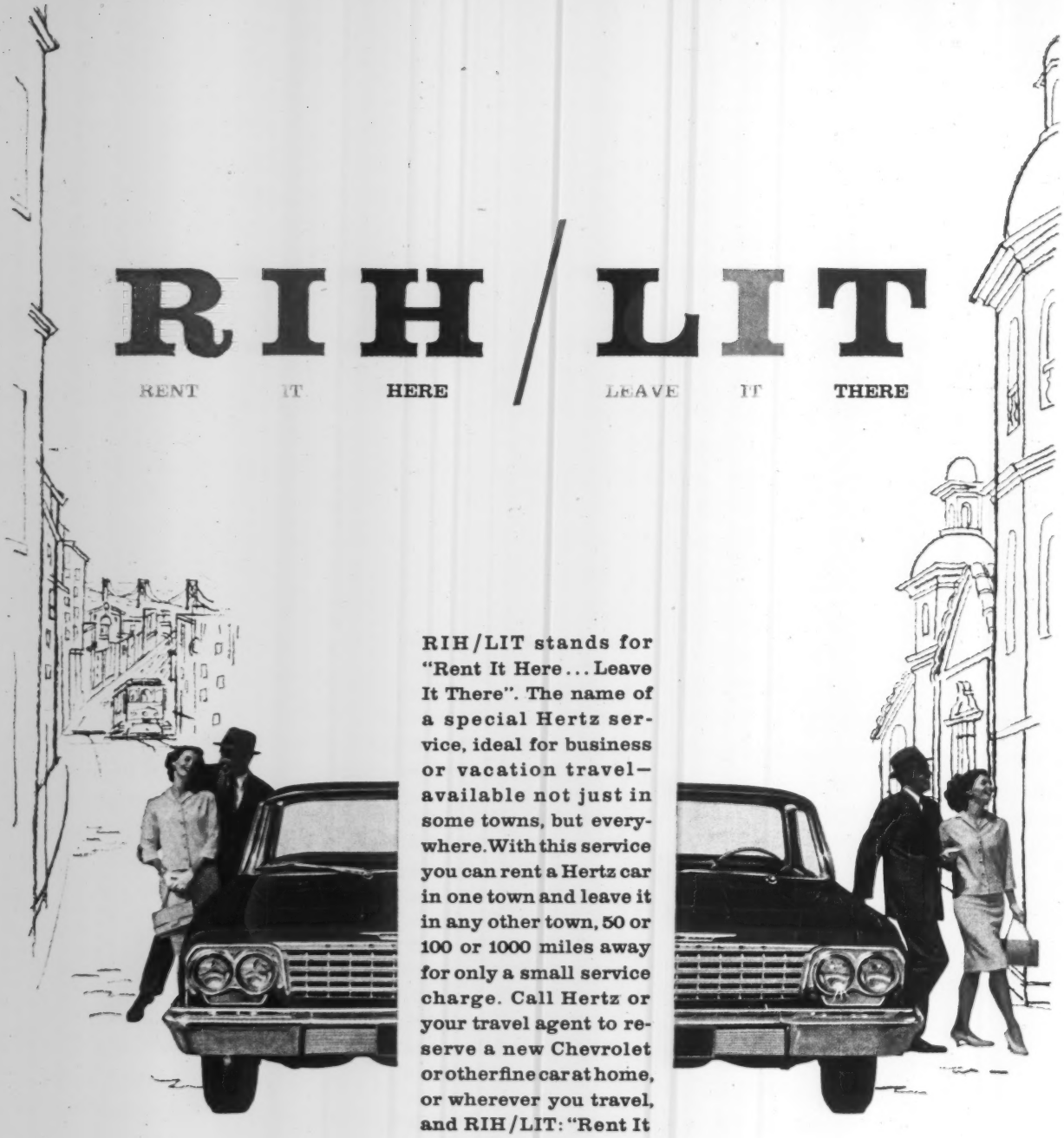

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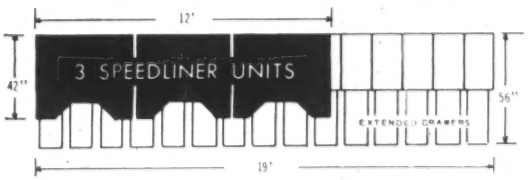

Speedliner's depth is only 42" as opposed to the 56" depth required by the file cabinets when the file drawers are extended. The 19' overall length of the file cabinets has now shrunk 36% to a compact 12'.

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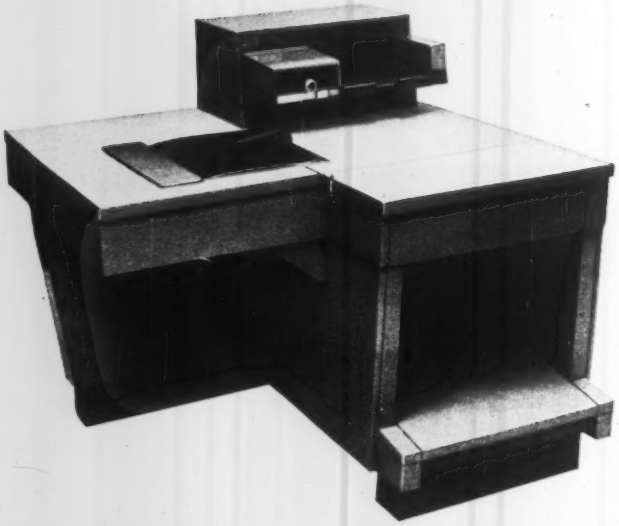

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DUN'S REVIEW
AND MODERN INDUSTRY
November 1961

EDITORIAL

The Initiative and the Goal

HISTORICALLY, fear of a foe has always been a keener spur to scientific progress than love of a neighbor. Hate, fear and anger have a powerful short-term value in speeding up the pace in laboratories. World Wars I and II incited the imagination of the inventor and whetted the eagerness of the scientists seeking new materials, new fuels and new techniques for military use. Partly because many of these war-born inventions mean eventual benefit to society in days of relative peace, the past six decades have brought more material progress than the previous six centuries. Too bad we cannot say the same for human values.

Russia's competitive challenge in space has speeded our conquest of gravity, and promises to turn the dream of interplanetary travel into reality within a generation. In this sense, we can be grateful to the Soviets for their threat to security and our position as a world leader. We may discount Khrushchev's bark, but we cannot ignore the potential of his bite, because he will not permit us to count his teeth.

But neither can we cynically cast aside the hope of man's redemption through good work as well as good will. Working toward the peacetime ideal is far more important than fighting brushfires set by the incendiary Russian leader, who makes political arson pay off in anxiety and frustration.

We gain nothing in world stature by letting Khrushchev set the pace and the direction of our efforts. He plays his own game, according to his own shifting rules of diplomatic doubletalk. There is an old saying, "When in doubt, shout," which explains why the shrewd trial lawyer lifts eloquence to anger when his evidence is weakest. Khrushchev is skillful at these tactics, and in the short run he is bound to score some points. Unfortunately, world opinion is often influenced more by emotional reactions to showmanship than by the processes of reason.

Yet despite Soviet temporary advantages, we cannot overlook the goal of peace with justice, which is the aim of thinking men. It is up to our leaders to keep that goal in clear focus and to follow a policy in which principles of justice are luminous against all the moving shadows on the horizon.

Remember Aesop's fable of the dispute between the wind and the sun over which one could strip a man of his cloak? While the wind huffed and puffed, the pilgrim on the road only wrapped his garment tighter. But the warmth of the sun made the man shed the cloak of his own accord. Perhaps a spark of confidence on our part may do more to win the trust of our neighbors than the biggest and noisiest wind from Moscow.

Material progress achieved through the tensions and pressures of a cold war are the accidental benefits of "man's inhumanity to man." But these premiums of fear and doubt cannot equal the rewards of courage and faith in the hearts of a people whose deeds in behalf of humanity stand out in bold relief. We are not asking gratitude from short-memoried countries that waver between fear and favor. Our strength is in our candor to friend and foe alike. With a long-term target fixed in principles of justice, we need not lack for short-term flexibility of movement to meet the feints of our adversary. We can, in fact, keep him off balance with actions that are the result of courageous decision and unmistakable intent, nor do we have to jump over the moon to prove our point.

PRESIDENTS' PANEL

Can We Afford Guns and Butter?

It cannot be done, the panelists say, without a radical shake-up in the nation's tax system.

A cold-war crisis like the one the nation has been living through this fall puts everybody, businessmen as much as military men, in the front lines. For business produces the nation's wealth, the one well to which the Government must go more and more if the arms buildup keeps growing apace. So how industry is functioning and what its leaders believe it is capable of doing contribute enormously to the nation's military posture.

These, in fact, are questions that the country's top businessmen are pondering deeply these days. They are concerned not only about their own companies' recovery from the recession but also about the way they and the nation generally are girding to meet the rush of events that make the cold war more dangerous and more expensive than it has ever been before.

This month, DUN'S REVIEW quizzed the members of its Presidents' Panel—a group of nearly 300 chief executives of the country's major corporations—on just those broad questions of industry's capacity to meet the rising demands of the consumer economy and the sweeping increases needed for the nation's defense.

In the ratio of better than 60-to-1, the panel presidents believe U.S. industry is ready to meet the needs of defense without having to trim back the civilian economy. Says Georgia-Pacific Corp.'s President Robert B. Pamplin: "There's no question in my mind but that we can do both. We

have considerable excess productive capacity right now, and we also have unemployment." Adds Outboard Marine Corp.'s William C. Scott: "Yes, we have the capacity, especially when you realize that the buildup of nuclear weapons does not consume materials at anything like the rate of a buildup of conventional arms."

But some of the panelists are not so sure. American Radiator & Standard Sanitary Corp.'s Joseph A. Grazier sees it as a problem of just what is to be built up. "Industry has enormous unused capacity for producing civilian goods," he points out. "And there is also enormous unused capacity for producing aircraft and certain types of instruments used in the more sophisticated weapons. There are huge reservoirs of machines and tools for production of conventional weaponry of World War II types. But if an expanded defense program calls for different weapons and calls for them on a crash basis, then I think the existing capacity for defense is not adequate."

A moral problem

To H. Leslie Hoffman of Hoffman Electronics Corp., the question of increasing the nation's defenses and maintaining its civilian economy boils down not to a physical problem—"We have the physical capacity," he says—but almost to a moral problem. "The real difficulty," as he puts it, "will be in the capacity of our people for work, discipline and dedication, and above all the attitude of the Government toward the people of industry at all levels."

The pundits of international politics, it should be noted, keep repeating that the cold war is a long-term proposition, that it may continue ten, twenty or thirty years. Can the U.S. economy remain as free as it is today and still provide heavy defense production while at the same time keep raising the standard of living and adding to the size of the civilian economy? Above all, and of vital interest to both businessmen and just plain taxpayers alike, how will the Government get the funds to finance the increasingly expensive cold war without adding a brutal new tax load?

The difficulty, a high proportion of the panelists point out, is the country's antiquated tax structure. Simply raising the present rates will achieve little, they note, and may even snuff out the business recovery well before its time. Their conclusion: to pay those crushing defense bills, some kind of tax reform is necessary.

None of the panelists were given any suggestions as to what form that measure might take. Impressively, though, more than a third of the members spontaneously and independently arrived at the same conclusion. As probably the one class of American citizen most affected by taxes, both in his corporate affairs and in his own high personal income bracket, the nation's top executive urges one specific remedy: the Government should impose a federal sales tax.

Says J. Peter Grace of W.R. Grace & Co. in a representative statement: "I don't believe it would be desirable to raise the rates of either personal or corporate income taxes. But if the Government does need more funds it should get them through taxes based on turnover."

He is echoed by dozens of his fellow panelists. For instance, Stuart Saunders of the Norfolk & Western Railway comments: "Personal and corporate taxes are already very high. I would hope new sources of revenues could be found in a federal sales tax." And Harsco Corp.'s Joseph T. Simpson says: "A national sales tax offers the best way of broadening the tax base and getting substantial new revenues."

The panelists' point is well taken. As it stands the U.S. raises far less of its federal revenues from sales taxes than any other industrial nation (*see chart*). Some 14% of Washington's revenues come from sales, excise and other turnover taxes, and 86% from taxes on income and capital. In Russia the situation is almost exactly the reverse, and in most other countries close to half, and usually more, of the central governments' revenues come from sales and excise taxes.

Sales taxes have always been a very hot political potato in Washington. Their opponents usually charge that sales taxes put the bite unfairly on the poor man, for he pays sales taxes at precisely the same rate as the rich man. Yet even in the Western nations that have gone farthest toward socialism—the Scandinavian countries—anywhere from one half to two thirds of the governments' revenues come from sales and excise taxes. And whether they oppose such taxes in principle or not, tax experts agree with the panelists that a sales levy would be based so broadly through the population that it would produce high revenues even at a low rate.

But would Congress take the political risk of imposing a national sales tax? It looks, from the past record, as if the answer would be a thunderous "no." It has shied away from the idea on half a dozen occasions since the question first arose in 1917. Yet President Kennedy himself has said that the present personal and corporate income tax structure tends to strangle recovery from recession. So this time, if more revenues are needed to fund the arms buildup, Congress may well follow the panelists' advice and turn to sales and turnover taxes.

Case for controls

New taxes or no, many of the panel presidents believe that something will have to give in the U.S.' present free economy if it is to meet the needs of defense and simultaneously provide for a higher standard of living. Almost one third of them feel that some restrictions may well be necessary if we are in for an almost indefinitely prolonged cold war.

"Very likely our free economy can support 'guns and butter,'" says Ruberoid Co.'s E. J. O'Leary. Then he adds: "But not without some controls to curb inflation." Herbert Barnet of Pepsi-Cola Co. looks to voluntary restraint. "Management and labor," he says, "should pass the next round of price and wage increases."

IBM's President Albert L. Williams looks on the whole question as strictly hypothetical. "Defense expenditures

The Ultimate Solution?

Are the panelists right that a sales tax would pay the high cost of defense? As the chart shows, most nations of the world already are depending on just this kind of levy.

	Taxes	
	Income & Capital	Sales & Excise
United States	86%	14%
Canada	60	40
United Kingdom	54	46
Japan	51	49
Denmark	41	59
France	31	69
Italy	26	74
West Germany	22	78
Soviet Union	15	85

SOURCE: First National City Bank of New York

CONTROLS to curb inflation will be needed, says Ruberoid's E. J. O'Leary.

must be maintained at all costs," he says. "The Government should be cautious in spending for items not needed for survival and ultimately winning the contest we are in. If consumer goods should start soaking up resources we need for winning the Cold War, such resources should be diverted from consumer items for as long as necessary."

Others are more specifically concerned about inflationary forces. And the sense of crisis in the air seems to make some of these top businessmen willing to accept controls that they have, at other times, fervently opposed. For instance, Selden T. Williams of Scovill Manufacturing Co. says bluntly: "There still are ways to curb what seems like almost certain inflation—establish wage controls and price regulation." Like many of the other panelists, Williams also calls for sharp reductions in government aid programs—domestic and foreign—as well as controls on wages and prices. But the very fact that he suggests controls of any type shows that the outlook of many U.S. businessmen has changed radically since the bitter, postwar days of the Office of Price Administration.

And Williams is not alone in his suggestion. He is echoed by several other panelists. For instance, Glen Alden Coal Co.'s Harry W. Bradbury comes to virtually the same conclusion in this way: "All wages should be frozen, and at the same time, as far as it's possible, we must also freeze the cost of living and of commodities pertaining to the defense effort."

Such ideas, naturally, remain anathemas to plenty of businessmen—and to more than one of the panelists. But that they exist at all among the country's leading businessmen is a sign of sharp change.

Far more of the panelists look to other restrictions to halt inflation. They plump resoundingly for a reduction in federal spending for farm commodity price supports. Nothing, in fact, seems to rile businessmen more these days than the huge and still growing amounts spent on what they regard as the already far too prolonged and unsatisfactory farm support program. Some look for cuts in federal welfare operations, others for sharp reductions in many different forms of domestic spending by the Government. Says Simmons Co.'s Grant G. Simmons: "Eliminate all government 'give-away' programs, especially the farm program." Crucible Steel Co.'s Joel Hunter adds this suggestion: "Restrict spending for the glamorous—but questionable—space exploration schemes."

Many, like Hunter, suspect that much "waste" could be cut out of the defense budget itself. "Much of it is no more than a giant WPA project," says United-Carr Fastener's Samuel A. Groves.

Watch the Pentagon

And some recall the statement President Eisenhower made not long before his term of office expired, in which he warned the nation that the leaders of the armed forces and the major defense contractors together formed a potent complex that should be carefully scrutinized. Says Petro-Tex Chemical Corp.'s Sydney T. Ellis: "The defense contractors parading the corridors of the Pentagon, and the military procurement officers, should certainly be carefully watched. They are potentially dangerous to the extent that defense dollars may well be misspent." Ruberoid's O'Leary adds: "With such a large proportion of federal funds going to defense contractors, the remainder of American industry will have to protect itself from becoming the poor relation. Powerful armament lobbies in Washington will be going all out to obtain the cream of federal funds and leave only the skim milk for the rest of the economy." And St. Regis Paper Co.'s William R. Adams puts it this way: "Of course they need to be watched carefully. The military budget represents 10% of the national income, and the way in which it is spent is the single most influential factor in the economy."

WATCH military procurement, advises St. Regis Paper's William R. Adams.

But if some of the military dollars go for frills in defense, what about wasteful frills in the civilian sector of the economy? Just how wasteful and expensive are they and should they be lopped away as fast as possible to contribute to a national posture of strength? The panelists are sharply divided on this.

Georgia-Pacific's Pamplin says: "I believe we can enjoy our frills as well as do what's necessary for strengthened defense." Duncan J. Stewart of Barber-Colman Co. says: "The consumer has to be the judge of what is a frill if we are to retain any freedom at all." Minneapolis-Honeywell Regulator Co.'s Paul B. Wishart puts it: "Curtailing consumer production along the lines suggested by those who attack the so-called 'tail-fin philosophy' is neither necessary nor wise." American Viscose's President G.S. Tompkins adds brusquely: "Government frills should be eliminated. Leave the taxpayer alone."

But there are others among the panelists who believe it is just those tail fins that ought to be eliminated. Horace Y. Bassett of Calumet & Hecla states: "Keeping up with the Joneses has created a feeling among many people that luxuries and frills of all kinds have become necessities. Sales taxes on these goods would go a long way toward reducing spending for them and the taxes would also generate revenue to meet the defense bills."

Yet one basic question remains: Who is to decide what is a frill? A. C. Gilbert Co.'s A.C. Gilbert Jr. sums up the problem: "What's a frill?" quips he. "I make toys, which I don't consider a frill." —JOHN MAUGHAN

Machines Bull vs. the Americans

The U.S. manufacturing giants do not awe this small French company. It knows the secret of selling foreign markets on a shoestring.

ONE day recently, a young engineer walked out of a plant in Southern France with an order for data processing equipment worth a quarter-of-a-million dollars in his briefcase. The sale was notable on two counts. Not only had the engineer beat out the truly formidable competition of International Business Machines' World Trade Corp., he had won the order for a relatively small firm (1960 volume: $40.3 million) that finds its fellow European businessmen a particularly "hard sell."

The engineer's employer, Director General Georges Vieillard of France's Compagnie des Machines Bull, sums up the reason. "To most Europeans," says he simply, "the word electronics spells America. We have a hard time combatting that *snobbisme*."

Snobbisme notwithstanding, Machines Bull is beating the Americans in one electronic sale after another all over the world. Even such U.S. corporate giants as General Motors and Proctor & Gamble, which use American machines in the U.S., buy Bull equipment for their French and North African offices. Too, for all that competitors sneer that Machines Bull "wraps itself in the French flag" on home ground, the big American computer makers are keeping a wary eye on what happens in lands where no tricolor flies.

The hard truth: Bull is giving the Americans cause to worry about markets all over the world. With only 300 salesmen to compete against IBM's 2,000, for example, the French company has already captured 23% of the Continent's total data-processing sales.

What is more, Bull now sells in 42 countries around the world, has just opened Bull Corp. of America in the heartland of its competition. To the south, it is already scooping up sales in Mexico, Brazil and Argentina.

A BULL engineer checks components of the Gamma 3 computer, which links up with any punch-card unit, thus gives small customers a lot of flexibility.

Napoleon's maxim

Is there a secret to Machines Bull's success? A way of doing business in the Old World and the Latin world that brash, upstart American salesmen in all lines of business have yet to grasp?

Like most European businessmen, shrewd Georges Vieillard normally follows Napoleon's maxim that the one true secret of success is silence. Nevertheless, Vieillard is willing to talk to some extent on how Machines Bull competes against the vaunted sales know-how of its American competitors.

Not even low price, the standard explanation when a U.S. company loses an overseas sale, holds true when it is Machines Bull *vs.* the Americans. For the French company refuses to follow the tried-and-true practice of "buying" its way (via unrealistically low prices) into a new field. "We charge pretty much the same," Vieillard ob-

serves. "It is our philosophy, in fact, *not* to beat them on price."

Adding to the Bull conundrum, it does not offer the generous long-term credit terms that supposedly have caused American salesmen to lose orders all over the world. Bull has too much of the traditional French thrift for that. So the company follows the American method of renting two thirds of its 1,100-plus computers at fees comparable to those of its competitors, American and foreign alike.

But if low prices and easy credit are not the answer to Bull's success, what is? Vieillard tells the tale in just four words: "We know our customers."

Culture & calculators

That is easy enough to say. But Vieillard can document his statement with fact. Because Bull does indeed know its customers, that young engineer was able to open his sales "pitch" in a way that would horrify an American sales manager. He and his prospective customer started out with a long conversation on the differential calculus of Blaise Pascal, a man who has been dead some 299 years. That Pascal was also the inventor of a primitive calculating machine was, in this case, almost irrelevant. For the conversation then turned into a philosophical discussion of business management in the modern world.

There was no talk of data processing equipment until the prospect—the company's president—began to ask questions. But by then both salesman and buyer had established themselves as men of culture and depth, qualities which European businessmen in particular take pains to cultivate. And the all-important resistance barrier, which inevitably looms at the beginning of any sales conversation, had been broken.

Able to hold his own in the wide-ranging cultural conversation, the Bull man proved himself just as clever a few days later. In minute detail he analyzed the precise ways in which the customer could—and in some departments, could not—use Bull equipment. He could do that because Machines Bull hires only graduates of the best engineering schools to do its selling in Europe, men who have taken honors in universities that rival M.I.T. and Cal Tech. So here again, Machines Bull was mapping a large part of its sales strategy around the high stock in which Europeans, and most particularly Frenchmen, hold culture and intellect.

Bull uses this device in other phases of its business. The company does not, for instance, play up its government contracts in the fashion of American manufacturers. Indeed, Vieillard shrugs those off as "not interesting." But it does publicize the fact that its giant new transistorized computer, the Gamma 60, will compare seven ancient manuscripts of St. Benedict's Monastic Rule at speeds as high as 400,000 characters a second.

By the same token, when a Bull "commercial engineer" (he is never called a salesman) shows himself an educated man, it speaks well for the company that hires him. In Bull's case, it should be added, the company that hires him does so at no small figure. All of its commercial engineers, Vieillard says, earn more than they would in other industries or in government

NO commissions, rules Bull's Vieillard. They tempt salesmen to oversell.

work. They do it, moreover, not by piling up commissions but on straight salary.

A company that will this year increase its orders by more than 50% by not paying sales commissions is a strange phenomenon to Americans. In fact, its practice amounts to a virtual sales heresy.

To Vieillard, though, this policy is a result of the logic which Frenchmen love so much. As he sees it, the way to success in Europe is to keep the customers singing your praises. That way, new customers are bound to hear them, and word-of-mouth advertising carries far more weight in traditionally suspicious Europe than it does even in the U.S.

But Vieillard reasons that Bull can achieve that happy position in only one way. Though it sounds like naive oversimplification, the salesman must be in the position of not constantly pressing the prospect. He must give the impression that he seeks primarily to *aid* the contact. Not working on a commission, then, he is far more likely to give this impression or to keep track of old customers' needs with as alert an eye as he would seek new sales.

There is still another reason why Bull flouts the old American tradition that the best salesman works on commission. Knowing Europeans as he does, Vieillard points out that the cardinal marketing error in Europe, far more so than in the more affluent U.S., is to oversell a customer—whether that consists of loading him with unnecessary equipment or of making promises that the equipment cannot deliver.

Dollars & altruism

A solid dollars-and-cents reason stands behind Bull's seemingly altruistic philosophy. "The European," Vieillard points out, "has less money to spend than the American. He can't afford equipment he doesn't need."

"And," Vieillard goes on, "he can't afford to keep a second machine handy in case the first one breaks down." So in a field where U.S. reliability is world-famous, Machines Bull has made a fine point of matching or surpassing American standards. "Service" is a company byword. The first thing Bull does on entering a new market, in fact, is set up a service network. In Europe, its 1,500 technicians are renowned for answering by 8 a.m. any call phoned in the day before. And though American equipment makers have a hard time recruiting service men because so many Europeans look down on working with their hands, Bull's technical training schools turn down five candidates for every one they pick.

Yet "service" as Vieillard uses the word means a lot more than it does in the American sense. And U.S. manufacturers exploring the European market would do well to note its ramifications. For one thing, in Bull parlance, service means that when each of

AN ASSEMBLY line of technicians in one of Machines Bull's twelve manufacturing plants works on the company's new, medium-priced Series 300 T.I. computer.

the nineteen $1-million-to-$2-million Gamma 60s ordered is installed, Bull will also "deliver" a programming expert and two technical assistants who will work for the customer (at Bull's expense) for one year.

Then, too, all Bull customers, no matter how small, can have their personnel trained to use calculating machines in a nearby Bull school. The customers themselves can draw on Bull libraries of several thousand computer programs—both accounting and "scientific"—kept for their use. They can even join a club of Bull computer users who meet to exchange programs and experience.

Yet even these are only the finishing touches to an operation that, in Vieillard's eyes, spells the difference between ready-made and tailor-made. For Bull, which knows the European love of individuality and handwork, tailors each machine to each customer's needs.

How to do it

Impossible to combine "custom" work with large-scale production? Vieillard argues otherwise. Bull, in fact, is bringing out its new medium-priced Series 300 T.I., which will be "fitted" to individual customers at the very time that the company is expanding its facilities and modernizing its production techniques.

The secret, says Vieillard, is not in the manufacturing but in the design. Machines Bull keeps a research and development staff numbering 1,000 men—about 8% of its total employees—at work on those designs. And it gives them plenty of money to play around with. At $4 million, Bull's 1960 research & development budget equaled nearly half the year's profits of $9.3 million.

Little of this high-priced work is the basic research for which the big U.S. computer makers are so renowned. Machines Bull's new products stem from continuing surveys that the sales department makes of potential customers. If one comes up with a marketable idea, R&D takes it from there. But sales and service executives follow every step of the way.

With such close liaison, a Bull representative who goes out to sell knows exactly how each piece of equipment can be altered in the factory to suit a customer. What is more, he can show that customer how to adapt it to a variety of uses, or how to add to the machine, instead of replacing it, to meet business expansion.

Such flexibility makes another strong sales tool. "Again," says Vieillard, "it is a question of money. We'll show a small customer how to do its work with only one tabulator if that's all it really needs."

But when he outgrows that tabulator, his Bull commercial engineer will be there with the next link in the series. One basic Series 150 unit, for example, unchanged in itself, can draw on the capabilities of anything from an electric summary punch with its own separate recording system right up to a small Gamma 3 computer, with or without magnetic memory drum.

In a market that is some seven years behind the U.S., Vieillard figures that the small firms that need only one tabulator today, and the medium-sized ones that are expanding with Bull, will bring in a good share of tomorrow's sales.

There would be no such prospects today, says Vieillard, without Bull's precise, well-honed research. And, he adds, without Bull's exports, there would be no money to pour into research and development.

If this is true, the company's R&D budgets are due to rise yet higher, for some 60% of its production now goes into foreign markets—25%, in fact, to the dollar zone. And the proportion gets bigger every year.

The way? By entering every new market with a local company that knows its own people as well as Vieillard knows his Frenchmen. In Britain, for instance, Bull is in a highly lucrative joint venture with De La Rue. In the U.S. it has just tied up with the vast organization of Radio Corp. of America. In West Germany, on the other hand, where Bull tried to go it alone, it watched IBM World Trade corner some 80% of the business.

But even in those rare instances when it goes into a new market alone, Machines Bull staffs its branches largely with nationals of the country it enters. They get intensive schooling in Bull's product line, much of it in their own language. After that, the game is theirs.

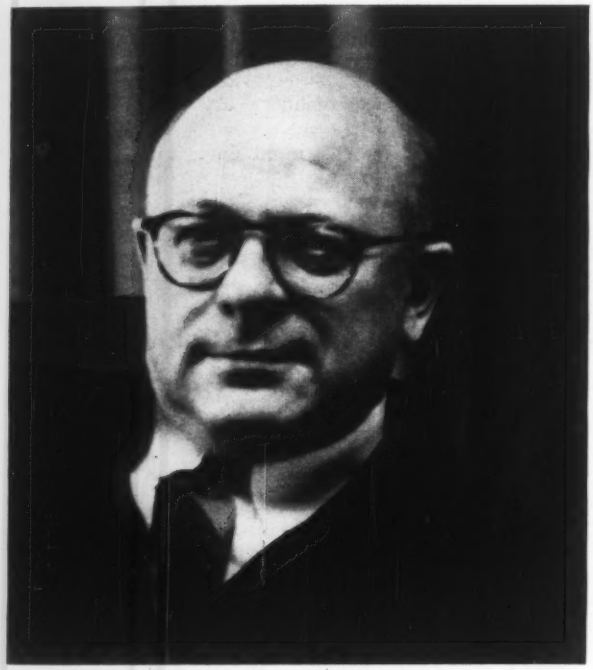
Bull checks up

Not that Vieillard and his top executives do not keep track of their score. The nationals can expect to be called to Paris on one-day notice at any time. For if Bull believes in delegating authority, it nonetheless keeps close check on how that authority is being exercised. Moreover, it wants to know all about its customers, not merely in France or Continental Europe, but throughout the world.

That global circle of pampered customers will bring Machines Bull some $60 million in sales this year, and even so astute an observer as the Wall Street house of McDonnell & Co. believes this volume will swell to $150 million by 1965. And Bull will do it because, in contrast to many Americans, it makes such a point of knowing those customers so well.

—PATRICIA H. DURSTON

The top training grounds of tomorrow's executives—the independent colleges—are caught in a squeeze and need aid.



Industry's Big Tuition Fee

STUART T. SAUNDERS

IN our great nation, education on all levels has been undergoing close scrutiny and evaluation. Four years ago, when the first Soviet Sputnik posted its ominous warning in outer space, it brought into painfully sharp focus a growing concern about default of American standards of achievement. Serious-minded people were shocked into realization that American education, along with many other facets of national attitudes and actions, had fallen into lethargic complacency.

Today, as the world speeds from one crisis to another and the burdens of world leadership fall inexorably upon the U.S., we are recognizing as seldom before in our nation's history the need for people who are capable, intelligent and competent, and who, above all, are undaunted by the growing responsibilities of leadership.

Inevitably this renewed quest for excellence, this re-emphasis on superior individuals, has led to the classroom and the campus. For we have learned—particularly those of us in business and industry—that our coveted supply of competent, educated manpower can be only as good as the system that produces it.

In our schools, and especially in our colleges, are acquired the skills, the disciplines and the knowledge from which our progress stems. Our campuses are fertile gardens for the implanting and cultivation of the ideals, aspirations and goals of a free society.

Our educational system is perhaps our biggest business. Certainly it utilizes the most valuable raw material—the eager impressionable minds of our young people. Also, it requires extensive and costly plant.

Higher education has evolved into a dual system of public and private institutions. Our first colleges were privately sponsored and financed. But state-owned, tax-supported institutions grew up as the need for advanced learning became too great for private sponsorship.

Most of us, I believe, recognize the importance of both private and public institutions in our academic system in order to offer the best and widest range of educational opportunities. Traditionally, these two kinds of colleges and universities—tax-supported public and the independently financed private—have complemented each other.

The private institutions have exerted a healthy influence over the

tone, direction and standards of all higher education. Our privately supported colleges and universities—particularly the smaller ones that emphasize the liberal arts and sciences—have geared themselves to the present needs of business and industry. They train today's management, evaluate today's problems and provide us with youngsters who enter our businesses with realistic attitudes and practical approaches to business management.

Independent colleges of liberal arts and sciences have proven their worth. A study by the first National Citv Bank of New York published in 1960 shows that out of the 200 top executives in the nation's 100 largest nonfinancial corporations, 132 had attended privately controlled institutions, as compared with 80 who had attended publicly controlled institutions.

Management's seed bed

A new report just released by the Council for Financial Aid to Education points out conclusively that—aside from the alumni themselves—business is the greatest beneficiary of higher education. This survey shows that 41.8% of 471,000 alumni reported among 83 participating colleges and universities are employed in business and industry — 4.2% more than those in all the professions combined.

The preponderance of privately operated colleges and universities in furnishing educated manpower to business and industry is highlighted in the CFAE report. The survey disclosed that 58% of the alumni of the nineteen private men's colleges are employed in business and industry, compared to 39% from nine major private universities.

Further verification of the role of private higher education is provided by the CFAE report's analysis of the educational backgrounds of the highest 200 executives in the nation's 100 largest manufacturing companies. Of the top two officers in each of these companies, 173 had attended college and 143 were college graduates.

Yet, for all these results, the small independent colleges and universities today face the problem of surviving in a welter of rising costs and inadequate funds. And not only surviving; they must also provide the growth, personnel and facilities for accommodating the burgeoning needs of increased enrollment throughout this decade and in the future.

They must somehow solve the persistent and challenging dilemma of increasing the quantity of their product without impairing the quality. Of necessity, the private colleges are becoming more selective in student admissions. They feel that they simply cannot waste their all-too-scarce facilities on students who will fall by the academic wayside. Yet they are also being swamped by a flood of highly desirable young people who simply cannot and must not be denied the unique opportunities of independent colleges.

Our private liberal arts and science schools are turning to business and industry for assurance of the continuing financial support so vital to them. Educators are pointing out that a constant supply of personnel so essential to economic growth is perhaps more important to business and industry than it is to educators themselves. They urge that management consider the cost of producing this personnel as much a part of doing business as the cost of production equipment. This, indeed, is recognized by the income tax law, which provides deductions for both items.

In tax-supported colleges the students pay about 20% of the cost, and the balance of 80% is paid by the taxpayers. In non-tax-supported colleges, students pay an average of 58% of the actual cost and the balance must be made up from income on endowment or from voluntary gift support. Yet the current cost of $1,000 per tax-supported student is even less, in general, than the annual cost per student for the independent institutions.

Gifts or taxes

Although we businessmen are aware that we benefit from our educational system, too many of us apparently believe that by paying taxes we do our part in picking up the educational tab. But this is merely complying with the law. Tax-paying is not the full measure of a company's role as a good citizen. It is, in effect, an *involuntary* contribution to the support of education. Corporate management recognizes the value of good citizenship, and voluntary support of independently financed education is both an act of good corporate citizenship and an investment in their own future welfare.

Furthermore, the more voluntary support given, the less pressure there

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Saunders: Maverick among the Railroaders

Stuart Saunders, a lawyer turned railroad boss, is something of a maverick in his industry. Other railroadmen have been talking for years of bringing new life and new wealth to their lines by merging with one railroad or another. Saunders, though, has busily been building a rich empire out of his Norfolk & Western Railway, adding new mileage, revenues and profits to it through one merger after another.

He took over the presidency of the Norfolk & Western in 1958, and since then has made of it the most profitable railroad east of the Mississippi.

For Saunders, his work is almost his whole life. He never exercises ("I wouldn't touch a golf club," he says) and his chief relaxation is at a bridge table on occasional Saturday afternoons, where he plays a hard game and often overbids.

But he does have one major interest outside his work. It is the quality of higher education—and its support.

Like many others of the nation's chief executives these days, he sees a top businessman's function as something larger than assuring the stockholders of a maximum return on their investment. And he believes that business as an institution also has broader responsibilities, that corporations, too, must be "good citizens."

It is Saunders' belief that business both owes a debt to, and cannot afford to pass up investment in, the nation's independent colleges.

On this he speaks for both sides. He not only heads the Norfolk & Western, but is also a trustee of two colleges, an executive committee member of the Independent College Funds of America and holder of half a dozen honorary degrees. From Roanoke (Virginia) College (class of '30) to Harvard Law School (class of '36), he is himself a product of the system for which he seeks the support of business.

will be on government to increase the tax burden to obtain more involuntary funds for education. In Virginia, for example, our tax-supported colleges and universities accommodate about two thirds of the student enrollment, and colleges that operate at no expense to taxpayers serve one-third. Virginia business is providing about 46% of the state's general fund revenues, out of which funds are allocated for higher education in state-supported institutions. Thus Virginia business is paying almost half the taxes to provide education for two thirds of Virginia's collegiate enrollment. Somewhat similar situations exist in virtually every state.

Thus it is obvious to all of us that if we do not maintain higher academic standards at our private institutions, the ratio of total student enrollment attending tax-supported schools will increase. Therefore, by *voluntary* contributions to preserve and strengthen private colleges, a corporation in the long run will save money on its *involuntary* tax level for education.

Tithe for colleges

Not so long ago a group of Cleveland businessmen concluded that 1% of their corporations' pretax net would be a fair contribution to higher education. This is a substantial part of the 5% of gross income which is permitted as a federal tax deduction for charitable contributions.

Whether or not any special formula is followed, it is apparent that businesses are a long way from furnishing the financial resources for higher education, an investment which will be returned to them generously in terms of human resources for their own organizations and enlightened citizens for their own communities.

Surveys such as the Council for Financial Aid to Education's report should remind the leaders of business that they have been getting far more from American higher education — particularly from small, privately financed colleges and universities — than they have been giving in return.

Arnold Toynbee remarked recently that talent is the only capital asset that the human race has. I would like to add that productive and creative education in institutions of superior quality is the only way in which the reservoir of talent can be fully tapped and channeled into the most effective use.

Today as never before, world leaders recognize that "knowledge is power." Our enemies have placed their emphasis upon knowledge for national power by training individuals for compulsory service to a monolithic state. In contrast, we have been giving top priority to knowledge for the individual career. Our formula for progress is to set an individual free by giving him the widest possible choice. Our aim is to provide an environment conducive to individual aspiration, where each person is given opportunity to exploit his talents to the fullest, in the manner most suitable to him. This philosophy and process are inextricably allied with the liberal arts and sciences.

Educational institutions dedicated to producing and perpetuating the ideal of individual excellence are indispensable to our economic and governmental system. Our business community should be profoundly aware that we simply cannot afford to leave the exclusive responsibility for such excellence of education to large state-controlled and tax-supported institutions. Although we inevitably must commit a greater and greater proportion of our resources to education of all types, we are particularly obligated to preserve the private colleges of liberal arts and sciences. We cannot content ourselves merely with their survival; we must vouchsafe their growth, quality and vitality.

Increasing numbers of our perplexed, crisis-seasoned generation now understand that the burdens will fall even more heavily on our young people who are in college today, or soon will be. The years ahead will be demanding and challenging, full of peril for the unprepared and the incompetent, but abundant in opportunity for the capable, well-prepared and courageous. Thus, it behooves us as the generation now charged with the management of business and industry to make sure that the generation behind us is well qualified to succeed us.

By working through private education, business can best express its own sense of values and at the same time discharge a pressing responsibility. Private enterprise cannot afford to neglect this splendid opportunity to improve its basic integrity at a time when many people are questioning the conscience and ethics of business.

A flourishing partnership between education and business is being built and nurtured by a unique organization of state and regional associations of independent colleges. Although this movement is only twelve years old, it has developed into forty organizations which represent 492 member colleges, an overwhelming majority of America's privately supported schools of liberal arts and sciences. These colleges have a total enrollment of some 500,000 undergraduates, teaching staffs of nearly 35,000 and a plant value of nearly $2.5 billion.

The state and regional associations have banded together into the Independent College Funds of America, Inc., a coordinating and informational organization that has its offices in New York. This movement is concentrating its efforts on development of the newest source of voluntary support—business corporations. As understanding and cooperation develop between college officials and corporation executives, increasing numbers of topflight businessmen are giving their time to travel around the area of their independent colleges, making speeches and personal solicitation calls, holding meetings with groups of influential industrialists and corporation managers.

A great international statesman recently said that "Mankind is in acute need of a convincing working model of a free society." Business, as a basic part of such a free society and a showcase for democracy in action, is measured by what it does, the way it behaves and the manner in which it realizes its aims.

Long-term challenge

Making our nation a convincing working model of a free society is complicated and difficult. It requires fortitude and forbearance. The cost of strengthening our democracy will be high over a long and indefinite period. Progress will be at best too slow to satisfy the impatient and often too unspectacular for dramatization to our own countrymen and the rest of the world.

Yet the challenge is there and will persist. To ignore it would be foolhardy and fatal, for it may well be that we will not get another chance to heed its call.

Certainly there is no better way in which we of our generation can meet this insistent challenge than by improving the institutions that prepare coming generations to continue in this quest of the democratic ideal and the realization of a free society.

END

Their money-making potential is enormous for the businessman-investor, but some practical drawbacks have already become apparent.

The Two Sides of SBICs

CONGRESSIONAL conservatives normally can be counted on to fight any legislation likely to increase the role of the Federal Government in business. Liberals are an equally safe bet to oppose most special tax concessions for business. But neither side acted true to form when it came to the Small Business Investment Company Act of 1958. With near unanimity, all shades of Congressional opinion got behind the act. On the face of things, this might seem surprising. The legislation both increased Washington's role in business financing and granted tax privileges to businessmen. It thus waved a red flag at both bulls.

HERMAN GOODMAN'S SBIC picked well, turned $350,000 into $1.3 million.

Neither side charged, however. For the SBIC Act, whatever its faults, was politically safe. It was dedicated to fostering small business—an institution sacred to all shades of democratic opinion.

Specifically, this law was intended to encourage the flow of big capital to small business. Big business, the Act's sponsors reasoned, could count on its own cash flow plus Wall Street underwriters for all the capital it could possibly need. Small business, on the other hand, had only the banks and commercial money lenders for short-term capital and no regular sources at all for long-term debt or equity capital. The federally aided Small Business Investment Companies were intended to bridge this gap.

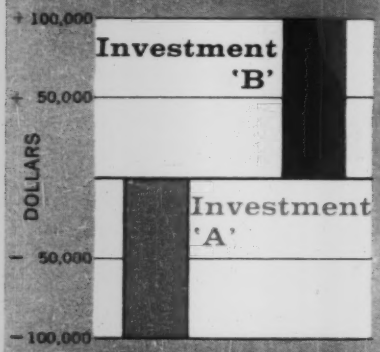
The SBIC Act, passed with such high hopes, is now three years old. Has it lived up to the hopes of its sponsors? Has it attracted high-bracket risk capital to small business as intended? Has it made it easier for small businesses to start and to expand?

To the question about attracting capital, the answer is a clear and definite "yes." There are currently something like 400 Small Business Investment Companies in the U.S. where there were none only three years ago. They command a total capital of around $340 million. So far this year alone something like 223 SBICs have

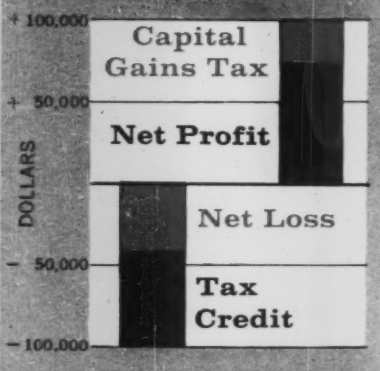
ELECTRONICS—and high profits—are specialties of Charles Salik's SBIC.

Heads You Win Tails You Win

SBIC's have a great built-in tax advantage. This can be demonstrated graphically in a somewhat oversimplified fashion by taking the hypothetical example of an SBIC whose owners are in a 60% tax bracket. Assume the SBIC makes just two investments, each of $100,000. One turns out a dead loss. The other doubles in value. Thus the loss of one cancels out the profit in the other.



Net profit, exactly nothing? Not for an SBIC. The bad investment of $100,000 is written off against regular income, reducing the after-tax loss to just $40,000. But the $100,000 profit is taxable as a capital gain at a maximum rate of 25%, resulting in an after-tax gain of $75,000. Result an after-tax net profit of $35,000 — or 17.5% on the overall investment. And this merely by breaking even!



been launched. Among their sponsors have been such prominent banks as Morgan Guaranty, First National Bank of Chicago and Marine Midland.

Around 40 of the SBICs have raised equity capital on the public markets. One of these, San Diego, California's Electronics Capital Corp. has been a spectacular success in the market place; its shares soared from a 1959 offering price of 10 to as high as 63 this year. Even the Rockefellers, those shrewd captains of capital, have started a private SBIC. From all this, it is abundantly clear that SBICs have a very real attraction for big capital. As a money-raising setup they have been a considerable success.

But what about small business itself? Have the SBICs solved small business' problem of raising long-term debt and equity money? A "yes" answer here must be very much more qualified than a "yes" answer to the previous set of questions. In fact, it depends in part on your definition of "small" business. Under terms of the SBIC Act, the definition is exceedingly broad: small business can have assets up to $5 million, average annual earnings up to $250,000 or net worth up to $2.5 million.

Toward the upper end of this asset range, the SBIC must compete with more conventional financing. Companies with $2.5 million in net worth are not entirely frozen out of conventional Wall Street financing—especially in these days when new offerings find such a ready market.

It is probably in the middle part of the "small" business spectrum that SBIC financing has been most useful. A rather high proportion of SBIC loans and investments made to date are concentrated in the $300,000 to $500,000 area. A much smaller number run from $750,000 to $1 million.

But how about *really* small business? Here the SBICs can make *some* claims. Bridgeport, Connecticut's First Connecticut Corp. reports lending $18,000 to a funeral parlor and also an investment in a local Greek restaurant. Manhattan's big Franklin Corp. (assets: $4.6 million) loaned $45,000 to a coin laundry outfit. Cleveland's Growth Capital Corp. (assets $9.9 million) put $30,000 into a small hospital supply outfit.

The fact is, however, that such relatively small commitments are the exception rather than the rule. Growth Capital Corp., for example, *did* make that $30,000 loan. But of its 15 investments as of a recent report, only *four* were under $100,000.

Even this does not tell the whole story about the relative lack of help that SBICs have given to really *small* business. The fact is that the proportion of the smaller loans and investments is steadily decreasing. Experience has taught the SBICs that it costs almost as much to investigate and process a $30,000 loan as a $300,000 one. The smaller ones tend to be unprofitable. Naturally, the SBICs turn away from them—even when they look otherwise attractive. Even the smaller SBICs have tended to upgrade the size of their average commitment.

Readers desiring a list of SBICs may obtain it by writing to DUN'S REVIEW & MODERN INDUSTRY, *99 Church Street, New York 8, N.Y.*

One method they have used for doing so involves a pooling of resources. In this way several small SBICs handle a relatively large loan *together*. Around Manhattan, for example, at least one lawyer has built a profitable business out of "finding" suitably large SBIC investments and then farming them out to several SBICs.

Not only does this practice tend to freeze out the small claimants for SBIC investing, it tends to make SBIC sponsors lazy. Why should they laboriously process and investigate small businesses? All they need do is take a piece of a loan someone else has found for them and then sit back and clip coupons. All this has caused more than one original sponsor of the SBIC legislation to wonder whether the law has really helped the people it was supposed to aid.

Such drawbacks, however, cannot dim the fact that some SBICs have been extremely profitable. To understand why, it is only necessary to see how the SBICs are set up. Written into the law are two unbeatable advantages: a high degree of capital leverage; and a very considerable tax concession. To take these features one at a time:

Capital Leverage. Theoretically, a Small Business Investment Company can leverage its dollars 11-to-1. The rules provide that Uncle Sam's Small Business Administration will match the first $400,000 of equity capital that an SBIC raises. The SBA will

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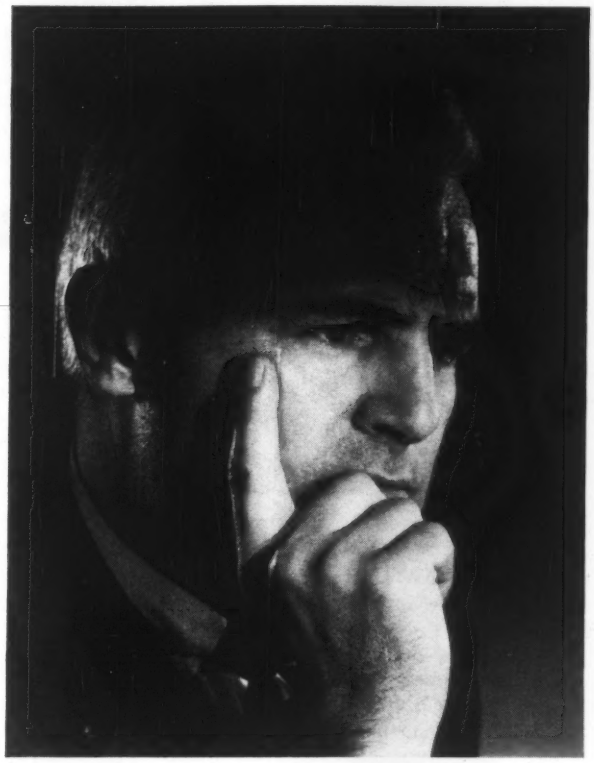


The key to success in business management? It may well lie in a philosopher's contemplation— and the answers to four revealing questions.

Do You Know Yourself?

DR. SCHUYLER DEAN HOSLETT

MORE and more, every serious-minded executive has to address himself to some basic questions these days. He has to spend most of his time, it is true, in the market place, the office and the shop. But he also must take some time—on the mountain top, in his study, on planes and trains—to think through the answers to four questions. Here they are as posed by Dr. Robert Hartmann, the noted philosopher:

- What am I here for in the world? What is the purpose of life for me?
- Why do I work with this organization? Does it fit my purpose in life?
- What can this organization do to help me fulfill my meaning in the world? Has it helped me so far to fulfill my purpose?
- Assuming that I choose to remain in this organization, how can I help it to fulfill my meaning and my purpose in the world?

This does not mean that one has to sit in his study and think for hours about some great goal for oneself. It does not assume that every person should set being president of the corporation as a goal. A purchasing agent who does not do much purchasing because his company specializes in sales, can still be happy in his position and not want any advance-

continued on page 120

Because of the importance of its topic, this article, which was originally the subject of a talk before the American Management Association, is being reprinted by DUN'S REVIEW. *Dr. Schuyler Dean Hoslett is vice president of the Reuben H. Donnelley Corp.*

How to Handle a Security Analyst

A Wall Streeter lays the facts on the line in telling just how management goes wrong in receiving one of its most important visitors.

MAXWELL R. D. VOS

SELDOM has there been a more astute financier than J. Paul Getty. Starting with a comparatively minor amount of money, and despite fluctuating markets and the opposition of the entrenched oil interests, Getty eventually succeeded in fashioning an international oil empire, along with amassing a portfolio of petroleum stocks that at one point made him America's only billionaire.

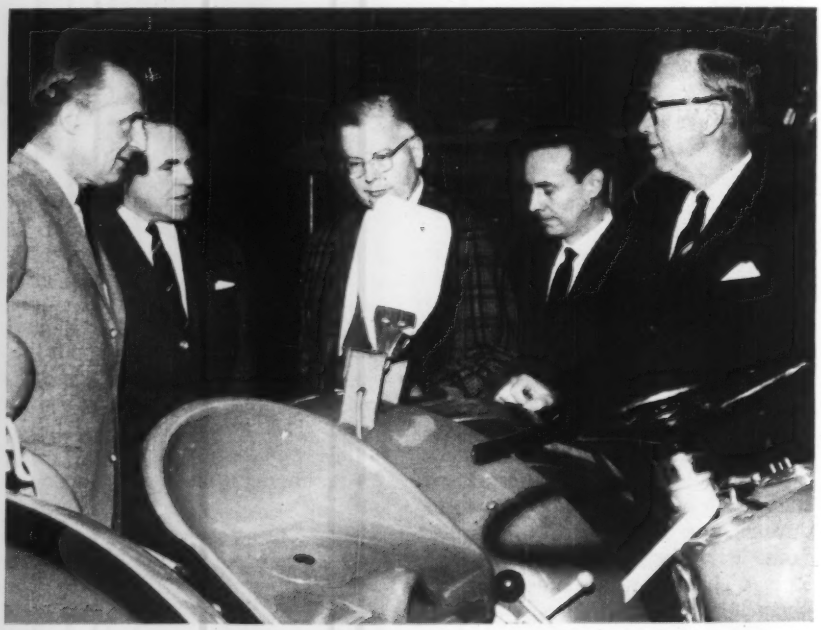
Yet for all his deft ways with a security and an oil well, Getty has never hesitated to make one flat admission. "I don't understand Wall Street," he laments, "and they don't understand me."

These days, with the stock market see-sawing back and forth, more than one corporate officer has come to appreciate Getty's statement with rueful clarity. In particular, the visiting security analyst often seems to act on his host like a snake on a rabbit. Some executives choke up entirely in his presence. Others try to play a game of informational hide-and-seek. And still others show the dazed analyst so much that he ends up hardly knowing if the company is solvent or not.

Just how does an executive walk the tightrope of properly handling an analyst? What should he tell him? More importantly, what information is he justified in preventing the analyst from learning? And how does he enlist the analyst's support and understanding so that his company and its stock will get a fair break in the market?

In most cases, of course, economic and market conditions are to blame when a stock is underpriced. But not always. As one of my fellow analysts puts it: "There's so much noise going on around Wall Street that even the best company has to talk very clearly if it wants to be heard."

Making yourself heard on Wall Street is a technique too few top executives have really mastered. True, the typical company president has picked up from his public relations director a vague idea that "you have to make friends on Wall Street," and



WISE MOVE or waste of time? Taking security analysts on a plant tour can be either one. It depends on what they are shown and what they need to know.

Manager of the Investors' Planning Department of Wall Street's E. F. Hutton & Co., Maxwell R. D. Vos has sat across the desk from many a top executive.

that "it pays to have a reputation for frankness and honesty in the financial community." But if you pressed him, he might admit that he is far from clear on just how to go about getting it. As for the dollars-and-cents value of his reputation for honesty in lower Manhattan, he suspects that along with three nickels it will just about buy him a ride in the subway. Yet he cannot forget that, over the years, he has spent some pretty fancy sums to make those friends and build that reputation.

Whether he knows it or not, this president is on the verge of making a terrible mistake. The thing to do, he may decide, is either to start wining, dining and "educating" every analyst he can lay hands on, or decree that from now on every analyst is to be received by the assistant treasurer and steered to the exit after not more than fifteen minutes.

Ridiculous? Of course. Yet both techniques are common. The first, which costs a great deal of money, does very little good by itself. The second, which costs nothing, can do a great deal of harm. Neither one can take the place of a coherent program of financial public relations based on a specific set of objectives.

Right here is where all too many businessmen go off the track in their dealings with Wall Street. Not to mince words about it, they simply do not know what they ought to be trying to accomplish.

Three basic goals

Speaking as an analyst, I can cite three objectives that almost any businessman might do well to keep in mind:

First and foremost, probably, he needs to attract support from investment banking firms with an eye to possible issue of new securities. Every company does this, of course, when the new bonds or stock have actually been authorized for sale. But few businessmen think of it in terms of a continuing effort.

The investment banker, it is worth remembering, is a middleman who has to sell the securities he underwrites. If a businessman considers that institutional customers are high on the list of buyers of most new issues by established companies, the moral ought to be clear. Keeping the insurance companies, pension plans, and other financial institutions informed about a company's affairs

EVEN Billionaire J. Paul Getty is bewildered by the ways of Wall Street.

makes the job of the investment banker a lot easier. That, though, does not mean it is a good idea to mount a crash campaign to woo institutional investors at the actual time of a new underwriting. In fact, the businessman who tries that without checking with his legal adviser is asking for trouble.

Or suppose your company has decided to issue stock in exchange for the assets and business of another corporation it plans to acquire. Here again, sound financial public relations can greatly alter the terms of trade in your favor. A high price/earnings ratio on your company's stock means less dilution. It will also impress on the seller that your company is well regarded in financial circles.

Another important objective of sound financial public relations is simply to make sure Wall Street understands management's policies and the reasoning behind them. Any company can get snarled up in a proxy fight. When that happens, having the goodwill of the professionals in the investment business can do no harm.

Finally, every company has a vital interest in encouraging a fair valuation of its stock in the market. There is just one way to do this, and that is by the dissemination and explanation of all relevant facts and figures that do not *have* to be kept under wraps. Actually, this third objective embraces the two others. Simple as it is, few businessmen understand its implications. "What on earth," a company president once said to me, "do I have to do with the price of the stock? My business is to look after the earnings and the balance sheet. You brokers can worry about whether we're worth fifteen times earnings or twenty."

It is a widespread attitude. And, bluntly speaking, it is dangerously irresponsible.

The reason is not hard to explain. Suppose your company earned $2 a share last year, and sold at an average price of 30, or 15 times earnings. This year you expect to report $2.50, and if the price/earnings ratio remains unchanged your stock will sell at 37½. By "doing a good management job" you have, in effect, presented your shareholders with $7.50 for each share they hold, taxable at capital gains rates. That is the equivalent of seven years' dividends, assuming that you pay out the normal 50% or so of your net income.

But suppose that this year you are kicking off with a sound financial public relations program. You have a number of analysts in to see the plant and talk to the officers. Perhaps you arrange to address one of the component groups of the National Association of Financial Analysts' Societies. You make a point of bringing out certain facts about your company which are not widely known.

You tell them, for example, that the 25% earnings improvement projected for this year is typical of the past decade, during which your company has grown at an average rate of 20% a year compounded. "The quality of our earnings is improving," you explain. "Five years ago, our ten largest customers accounted for 35% of our total sales. Today, our twenty largest customers account for only 23%. Two thirds of our sales are in products we didn't even make before 1954. Our sales of replacement and maintenance parts now make up 20% of the total, and the percentage is rising every year, so that we are becoming less dependent on the business cycle." Talking to small groups of analysts, you might even express your puzzlement at seeing the stock of your two or three biggest competitors, with a less impressive record, selling at higher earnings multiples.

As the word gets around, Wall Street will probably take a new look at your stock. The price/earnings ratio may begin to creep up: 17, 18½, 20. When it becomes clear that your $2.50 estimate for the current year is realistic, your stock could well

be selling in the neighborhood of 50.

Now consider what you have accomplished. Merely achieving your earnings goals would have been worth $7.50 a share to your stockholders. But by *capitalizing* on that achievement through a program of financial public relations, you have increased that to $20 a share.

This process, it should be noted, can be carried too far. A stock that is "talked up" without a substantial basis of continuing merit will inevitably come down. And it is probably better to let the stock work its way up to 37 or 40 than to talk it up to 50 and then see it collapse 15 points in the next market correction. In other words, the company that has a good year for non-recurring reasons should not try to sell it to Wall Street as part of a trend.

A case in point

For a good actual example of the value of financial public relations, consider the experience of International Telephone and Telegraph Corp. Back in 1956, ITT reported earnings of $1.96 a share. The average price of the stock during that year was 16⅝. In 1960, reported earnings were $1.95, and the average price of the stock was 40.

Even allowing for the fact that most stocks appreciated sharply between 1956 and 1960, that is an outstanding record. For most of it, I believe, ITT can thank its own sound financial public relations program. Management has consistently tried to clear away the twenty-year-old image of the company that until quite recently was current on Wall Street. It has repeatedly told analysts that ITT is no longer a grab-bag of small telephone utilities all over the world, that the great bulk of its sales and earnings now comes from the manufacture of sophisticated electronic components in Western Europe.

The evidence has been carefully prepared and skillfully presented. Over three or four years the company has won widespread acceptance as a growth enterprise with an interesting foreign flavor. As a result, shareholders have profited materially —even though the earnings uptrend has not yet developed much momentum.

There is no magic in ITT's achievement. Any corporate officer who would like to undertake a similar task of honorable and successful "image building" can go far by practicing just a few simple principles. Elementary as it may sound, the first and most basic principle is honesty in dealing with analysts. You are not, of course, obliged to tell them anything you would not tell a competitor. Remember, though, that you are not talking to a competitor. Probably you have stuck a "classified" label on a lot of information that is not really confidential. If so, you will do well to consider taking off some of those wraps. Try not to hide more than you have to. And above all, do not attempt to conceal bad news. A poor quarterly earnings statement will hit your stock far harder if it comes as a complete surprise to the financial community.

It is worth while, incidentally, to keep a list of the analysts who have come to see you. If there is some startling development or a sharp change of trend in your company's affairs, let them know by telephone or mail. They will appreciate the courtesy, and it will help you build up a relationship of real confidence.

What about "insiders"?

Playing favorites, it should be noted, is hazardous. Obviously, if there is a Wall Street man on your board of directors, he will have some kind of an inside track. But he will almost always make a point of holding such information in confidence. In fact, many Wall Street houses keep parallel contact with a number of companies—through a man on the board and quite separately through an analyst. If you lay your policy on the line to your close Wall Street connections, they will understand and cooperate.

In trying to be impartial, though, you should not try to handle all analysts alike on all occasions. Measure your handling of an analyst against his specific objective. The man who is preparing a single paragraph on your company needs—and deserves —less of your time than the man who is writing a 20-page report for financial institutions. For that matter, few analysts expect to be automatically ushered into the president's office. Fewer still will respect your company more if you lavish high-priced time on them indiscriminately.

Generally speaking, the title and status of the officer who interviews analysts are not too important as long as he knows the answers, or at any rate knows where to get them.

Not that you or any of your executives should feel obliged to do the analyst's homework for him. You are busy and important men and you are entitled to courtesy. Try to answer his questions. But if he doesn't know what questions to ask, it certainly is not up to you to tell him.

By the same token, you should avoid forcing more information on an analyst than he wants or can use. For example, you should never take a visiting analyst on a tour of your plant without making sure that he would like it and can profit from it. If he does express an interest, try not to subject him to technical discussions he cannot appreciate. Proud as you may be of your new automated electronic widget-bushing machines, the analyst may not know the difference between a widget-bushing machine and a Mack truck. Unless he is a real specialist, he would probably rather be shown around the plant by some officer who will talk at a layman's level.

One of the worst mistakes you can make, of course, is to try to force conclusions about your company on an analyst. Conclusions are his business, not yours. On the other hand, try to make a point of seeing his finished story before it is released. You are justified in asking to check it for factual accuracy, and if you think his findings are way off base this will give you the opportunity to explain your point of view. By all means, though, do this in writing, so that you can wash your hands of any investment decisions based on a report with which you disagree.

That all-important feedback

No matter how faithfully you follow these benchmarks, though, there is one mistake that can frustrate your best efforts to win and keep those all-important friends on Wall Street. That mistake—an astonishingly common one—is simply the failure to keep abreast of what they are thinking. If you want your company's stock to be fairly priced in the market, make a point of keeping yourself informed on Wall Street's current attitude toward your company. If you think it is misconceived, be frank in saying so—and do your best to correct it. There is hardly a more valuable way you can spend your time when the analyst comes to call. END

PACKAGING . . .

. . How Do You Pick the Winner?

A SPECIAL REPORT

The right answer to that question created one of the most fabulous success stories in all the history of American business.

IF there still exists an executive who questions the power of packaging, he can easily resolve his doubts. All he need do is step into any grocery store, drugstore or supermarket. Or, possibly, go no farther than his own refrigerator.

There he will find the classic example of the power of packaging, the ubiquitous, fluted bottle of Coca-Cola. Famed designer Raymond Loewy calls it "the most perfectly designed package in use today." Some 90% of *all* the people in the world recognize it on sight. And though it was first designed (after a cola nut) in 1916, it is still selling at the equivalent rate of 65 million bottles a day.

Can management hope to pick a similar winner today, to fashion a globe-girdling business empire from a bottle, box or tube? It is not a goal that will be easily reached. Few forms of packaging have ever approached the success of the Coke bottle. Nevertheless, there is the example of such comparable successes as the Hershey bar's paper wrapper or Kodak's yellow box.

To help management find the Coke bottle or Hershey wrapper of 1961, DUN'S REVIEW presents its annual report on packaging. Its pages are studded with the latest developments in the field. This series of articles is designed to keep management abreast of the frenetically changing world of packaging—to help it, in short, to pick a winner from the welter of competing materials and conflicting claims.

Certainly no member of top management can overlook this task. He need only recall the example of Asa Candler, the Georgia druggist who invented Coca-Cola. Used to dispensing the drink from behind a counter, Candler had no idea of what packaging could do for his drink. So he sold his interest in Coke for $25 million—little more than two weeks' sales volume of the drink in the cola nut bottle.

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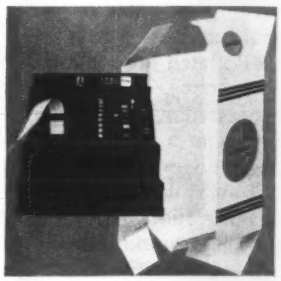
PAPER



Though still king of the packaging world, paper finds that its reign is being threatened.

Who Wants a Box?

"NOBODY wants a paper box," said Walter P. Paepcke, the late chairman of Container Corp. of America. "You never see a man try to collect 300,000 paper boxes before he dies."

For precisely this reason, the paperboard industry must fight constantly for its sales, and fight with one chief weapon: a steady stream of innovations. It is probably largely because of this aggressiveness that paper still reigns supreme among America's packaging materials—despite the rapid growth of plastics.

But there is more to it than that. For paper has one immense advantage: in a word, versatility. In ways almost without number, paper can be bent, shaped, folded or laminated to fill almost any packaging need. This versatility and the industry's aggressiveness account for the one-third growth in paperboard production in the past ten years—production that soared to 15.9 million tons last year and that promises to be still higher this year.

Paperboard's solid strength, though, lies in just one of its products—corrugated paperboard—which accounts for better than half of its production. It is the packaging material used to make 95% of all shipping containers which are used in the U.S. today.

Not long ago Carl J. Begemann, merchandising manager of ASR Products Co., a division of Philip Morris Inc. described some of the attributes that put corrugated at the top of the pile in paper: "As a package," said Begemann, "corrugated offers maximum protection, can be designed and printed as a gift or display package, or countershelf displayer. As a convenience, it can be designed to save retailer time and effort in handling and stocking. As a point-of-purchase material, it shows endless possibilities in making stands, vendors, traypacks and shelf extenders. Finally, as an advertising medium, corrugated shipping containers offer thousands of exposures for only the cost of printing."

Healthier than ever

Corrugated paperboard has, in fact, never been in better health. As Albert W. Luhrs, executive manager of the Fibre Box Association points out: "A year ago there were 812 corrugated box plants in the country and today there are 857. The fact that corrugated boxes constantly become easier to obtain in different parts of the country helps explain the increase in their use." To soak up the output

of all those new plants, Luhrs confidently predicts a jump in demand of anywhere from 45% to 80% by 1975.

Just because their major product is performing so well, the leaders of the paperboard industry are not resting calmly. All their other products are, in fact, engaged in fierce competition. The papermen have little to fear from wood or glass or tinplate because these materials generally cannot match the strength and protective qualities of paper at anything like competitive costs.

But the whole new world of plastics has the papermen running as fast as they can to stay where they are. Plastics, the experts all agree, is the real growth material of packaging, and declines in the use of some of the papermakers' products—solid fiberboard, chip board and bleachboard—loom ahead.

The paper producers, though, are not running out of fear. Whether they can lick the new materials or not, the papermen are taking the sure way out by simply joining them. "Plastics," notes Jerome H. Stone, executive vice president of Stone Container Corp., "are no more a threat to paperboard packaging than other forms of competition in the packaging field." Dangerous optimism? "The two materials complement each other in solving many packaging problems," Stone goes on. "They are natural mates."

Added proof comes from Kenneth R. Mull, senior vice president of the Packaging Corp. of America. "We find," he notes, "that a combination of corrugated and expanded polystyrene interior parts gives our sales people entry to formerly inaccessible accounts. We've had remarkable success in the development of new packs in new fields."

New fields to conquer

Some of those new fields would have seemed unassailable a decade ago. Tin containers, for one. The papermen are trying to develop an orange juice can with paper sides and also are working on a motor oil can. Their chances for success, they feel, are good in both endeavors.

Potlatch Forests, Inc., one of the nation's leading producers of lumber products and paperboard, is gunning for a whole range of packaging applications pre-empted until now by plastics, metal and glass. Its weapon, according to vice president Vance V. Vallandigham, is a new high-barrier, moisture-resistant paperboard that has properties similar to those of the saran-type plastics. "Development of a new polyvinylidene chloride emulsion by W.R. Grace & Co.," says Vallandigham, "enabled us to impart high-barrier properties to paper and paperboard at modest cost."

Initial Potlatch production is aimed at bakery boxes, meat trays, picnic plates and similar items. Eventual applications span a wide range in food packaging and in specialty areas like cosmetics and tobacco.

More innovations like those are on the way. They should sharpen paper's competitive position even further. For example, Arthur L. Harris, general manager of Mead Packaging, notes: "Continuing strides are being made to make paperboard stiffer and stronger."

Lower prices for fill board, which would probably have a tonic effect on sales, are predicted by one consultant. "Integration," says he, "of pulp and board manufacturers and converters in the virgin pulp board industry would accomplish this."

If papermen continue their fight to remain competitive, deeper inroads into bulk material handling also seem inevitable. Jack L. Davies, general manager of Fibreboard Products Corp.'s Southern Packaging Division, observes: "In the last two years we have seen metal, plywood, glass and burlap supplanted by corrugated bulk carriers. Up to 2,000 pounds of dry product are being handled in corrugated bulk bins."

Those capital gains

But for all the advantages their aggressive R&D and sales techniques afford them, one ally the papermakers have in their battle for profits is an invisible one. It is the government's tax policy. For papermakers enjoy a unique and little-known advantage over their plastic, metal and glass competitors. Profits reaped from timber, their raw material source, are taxed as capital gains at 25%, not at the normal corporate rate of 52%. In addition, generous depletion allowances help reduce the taxable base of the timber.

So, if 1,000 board feet of timber are sold at, say, a profit of $40, and the depletion allowance—equal to the cost of the timber—is $12, capital gains tax on the $28 net would amount to only $7. The normal corporate tax would be more than twice that amount.

The advantages that paper enjoys in its fight for profits are not without limitation, however. True, the future seems bright despite the threat of plastics. But some of this future, ex-

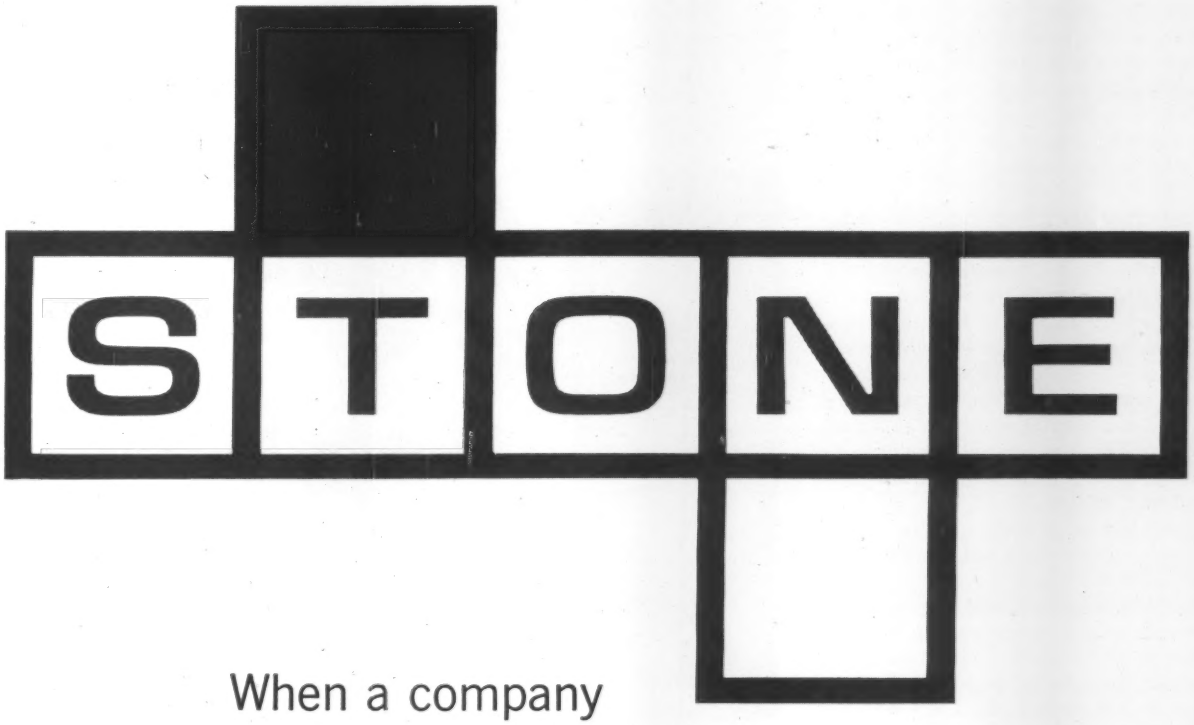
The Versatile Veteran . . .

Still fighting is the wirebound, wooden crate. Often discounted as a packaging medium, and despite the competition of marvel plastics and other packaging materials, the familiar wood box has yet to see its obituary. In fact, for all the gloomy predictions that have kicked around on boxes for years, the industry has quietly boosted dollar volume by 17% and unit volume by 16% in the last decade.

What keeps wirebound alive after some sixty years on the packaging scene? For one thing, perishable foods. Fresh fruits and vegetables, iced poultry and fresh meats have yet to find a more congenial medium in which to travel to market. And so it is hardly surprising that wirebound actually enjoys primacy in this area of packaging.

Furthermore, wirebound is still widely used for shipping small electronic devices, household appliances and heavy machinery. One feature that keeps it a contender is what industry men call "shock absorbence." The container, they claim, can be measurably strengthened or weakened through careful adjustment of the surrounding steel wires. When properly engineered, wirebound boxes, crates and pallet bins can be high-stacked so that lower containers support thousands of pounds without danger of collapse.

To be sure, wirebound has not been untouched by rival plastics and paperboard. However, it has tried to accommodate them where possible. And composite containers, consisting of wirebound protective overwraps and plastic carboys, for example, are not at all rare. Too, wirebound boxes with plastic interior packing have won a respectable share of the packaging of chemicals for shipment.



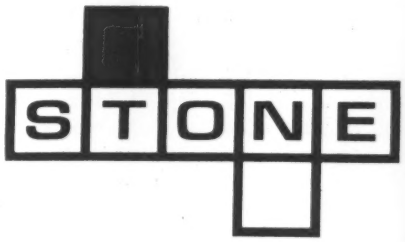
When a company doubles its size in a few years,

the old look won't do

Sales of Stone Container Corporation in 1952 were $21 million. In 1960, they were over $45 million. One of the reasons for this growth is that Stone Container has expanded its product line from corrugated boxes to include a complete range of paperboard packages. As a result, the original trademark no longer adequately described the packaging services of Stone Container Corporation.

The new symbol for Stone Container Corporation expresses a multiplicity of meanings. Although all of these relate to packaging, the many aspects include first, a plan view of a symbolic package, as it appears in production on the presses. Second, the name is spelled out in the panels to signify that Stone Container puts its skill and experience in each package it produces. Third, the design appears as a symbol for mass production of packaging; as boxes on the production line in our plant, in the user's plant, or in the market place.

Bold in its concept and message, the new symbol signifies the modern, quickly identified, high quality package. Keeping ahead of the complex, ever changing packaging requirements of our customers is the forte of our engineers and designers. Others talk about doing this. A major factor in our growth, however, is that Stone Container actually does it.



Is there a Stone Container Corporation plant near you? CORRUGATED CONTAINER PLANTS: Chicago and North Chicago; Detroit; Philadelphia; Mansfield, Ohio; and South Bend, Indiana. FOLDING CARTON, SET-UP BOX PLANTS: Chicago, Detroit, Cincinnati and South Bend. FIBRE CANS: Chicago. PAPER TAGS: South Bend. PAPERBOARD MILLS: Mobile, Alabama and Franklin and Coshocton, Ohio.

STONE CONTAINER CORPORATION

Executive Offices: 360 N. Michigan Avenue
Chicago 1, Illinois

plains John Raney, vice president of Hoerner Boxes, Inc., is compounded only from growing population and expanding gross national product. "In a growing economy," Raney predicts, "even such competitively precarious packaging materials as wood may show some growth."

Nor is paper's shotgun marriage to plastics likely to prove a persistently happy one. It is all very well to talk and plan for a single-wall construction carton that would eliminate expensive overwraps or liners. But attainment of that goal is beset by all kinds of technological difficulties. Even today, says Eugene H. Dours, manager of Goodyear Tire & Rubber Co.'s packaging films, the union of plastic and paper poses problems. "You put a coating on the board," he observes, "and you may find on aging it goes to pot. Sometimes you simply don't get film adhesion."

A formidable headache to paper people is the never ending array of plastic innovations. "Everytime the paperboard mills decide to make a combination with plastics," says one exasperated paperboard executive, "someone comes out with a new plastic. Even when you get your dream combination set up," he goes on, "how are you going to put them together in high-speed lines?" This not-so-rhetorical question is sure to kick around as long as paper and plastic continue to battle for shares of the market.

The makers of packaging machinery themselves complain of this problem. Says J. Russell Sonneborn, general sales manager of F.M.C. Corp.'s Philadelphia plant: "The machine packaging industry is definitely behind. The major reason is that new webs and laminates and God knows what other processes are being developed every other week. And no consensus seems to be emerging. Our greatest problem is not how many men to put on a program, but what program to work on first."

The designer's touch

Still, if these problems seem formidable, there is one area in which paper has so far proved to be almost unassailable. That is graphics. Played down to a large extent in the past, particularly in industrial packaging, graphics have shown a remarkable growth over the past decade or so. Today, more and more industrial packaging shows the designer's touch and the copy writer's hand. And it all depends on paper, for no plastic today can take flashy four-color printing at relatively low cost.

NEW GRAPHICS are checked on models in North American Van Lines' merchandising division. Containers are part of the company's total marketing concept.

Graphics and color are playing their new role in industrial packaging, says the vice president of a giant paper mill, "because virtually every company now realizes that every package goes to a consumer of sorts. If it goes to an industrial consumer, your package serves as a billboard as long as it exists." Adds R. Allan Hickman, manager for market planning, at The Dow Chemical Co.'s Dobeckmun division: "The name of any company on boxboard is just as important if it is seen by people in a factory as if it appeared in a *Life* magazine ad."

Graphics made their late entry into industrial packaging because only recently did printing techniques develop to the point where multi-colored jobs could be run off economically on paperboard materials. Psychological resistance played a part too. For years, the brown box was the traditional industrial package. Why bother, then, with expensive printing, color or design when there was no visible payoff?

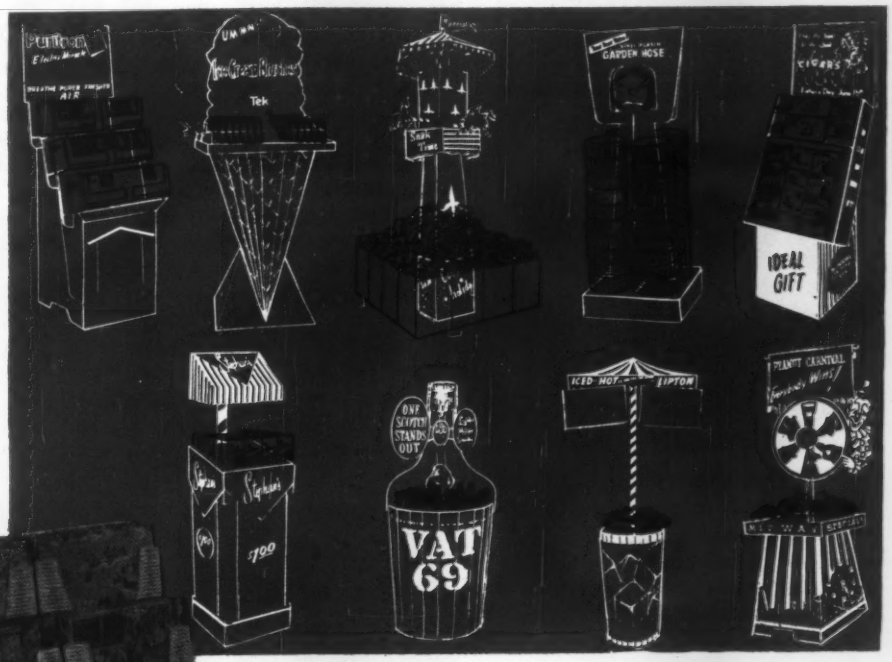
However, as William W. ("Mickey") Finn, vice president of St. Regis Paper Co. observes: "The average American has become highly sophisticated about color and design. He expects it everywhere—not only on consumer packages but on industrial packages as well."

The "clean look"

Yet not all innovations call for flashy printing, gaudy design or expensive graphics. One of the country's leading package designers cites the case of an industrial client who started shipping his product in white liner board corrugated for shipping. Packaging materials now cost more, but the company has found damages and returns have dropped so sharply that the increased outlay is more than covered.

"The new package's clean look," notes this designer, "influenced handlers all along the line. They treated the package with greater respect—didn't kick it around as much as in the past."

In consumer packaging graphics is an old story. But North American Van Lines, a large moving and storage company, recently introduced new packaging concepts to its industry. North American decided to meet head on the fact that moving day is a mildly traumatic experience for the average housewife. Her home is denuded of all

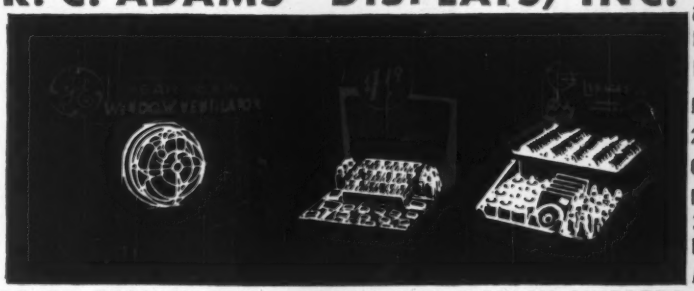


PROMOTION PROFIT PACKAGE

The R. C. Adams design staff specializes in creating punch plus impulse merchandise movers for display at the point of purchase. Adams displays are designed to carry the product load your market will buy — engineered to meet your plant's packaging requirements — constructed for the greatest ease of assembly at the retail outlet.

Working models of any diagram illustrated available on request.

R. C. ADAMS DISPLAYS, INC.



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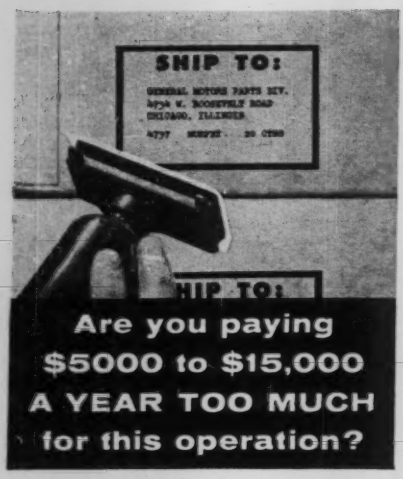
DESIGNERS AND CREATORS OF CORRUGATED DISPLAYS AND DISPLAY SHIPPERS



If you regularly address 5 or more cartons per shipment, you might be shocked to find out how much it is costing you to address your multiple shipments with antequated, repetitive methods.

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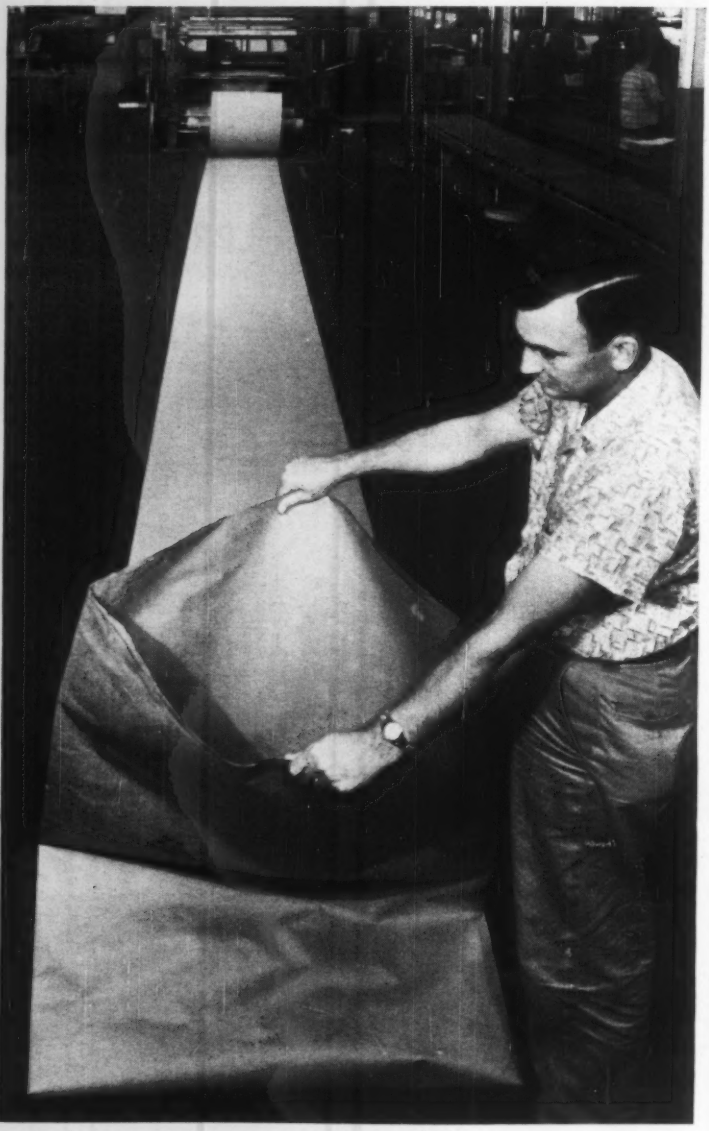
her possessions, burly men stuff her prized china into barrels, and dump her personal items into impersonal boxes.

Warm, pure & efficient

To overcome or eliminate these problems, North American got Mead Corp. to design and manufacture new cartons for household shipments. Today, personal items move in red containers, symbolizing warmth and friendliness. Dishes and bedding are packed in white containers, suggesting purity and cleanliness; impersonal items are placed in blue containers, standing for efficiency and experience. All containers have two panels with the natural kraft color visible for a feeling of strength and protection. The printing is done in black to convey the thought of masculinity and integrity.

Whether these psychological impressions are 100% effective is hard to say. However, North American finds that the modest cost of graphics has paid off well, and the old brown cartons have now become a thing of the past.

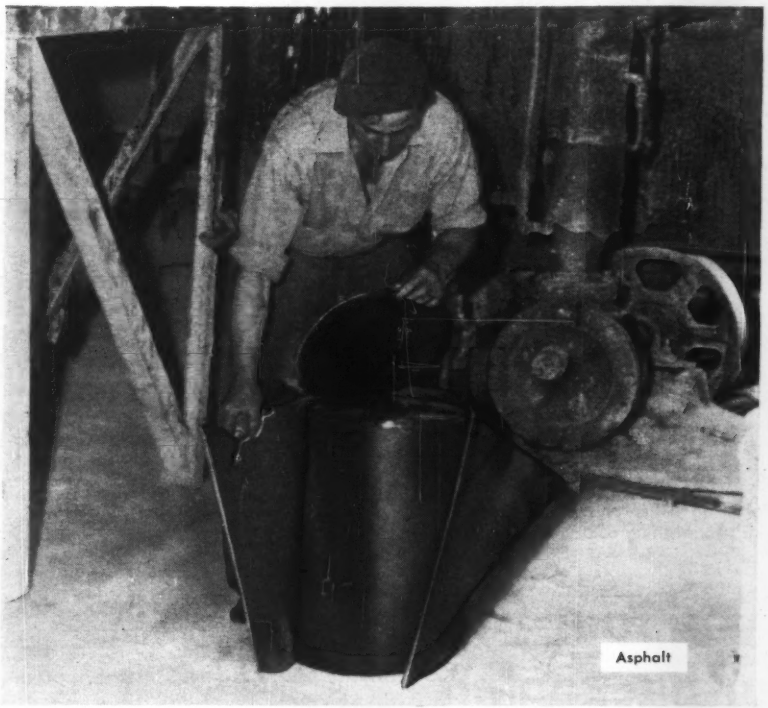
In consumer goods packaging graphics and color are of vital importance. Consumer goods can succeed or die by their packaging appearance alone. Burroughs Corp. tells of some experiments it ran with typewriter rib-



A MILE-LONG tube of multiwall kraft paper, made by International Paper Co., can be trimmed at will to form bags of any specified size.

SILICONE NEWS from Dow Corning

No Sticking Here!



Cut packaging, handling costs: use papers coated with Syl-off®

When a product "sticks" around, it doesn't always make fast friends. Sometimes it makes trouble . . . slows production . . . boosts costs. And in the end, customer satisfaction and sales may suffer. But no matter how sticky your product, you can keep it from sticking by using processing and packaging papers coated with Syl-off, the new silicone release coating.

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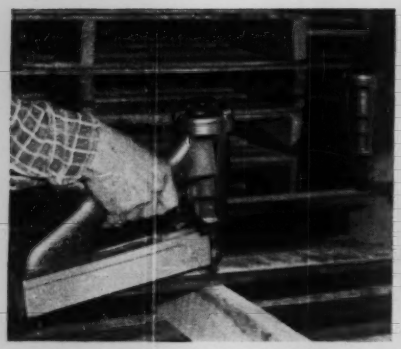
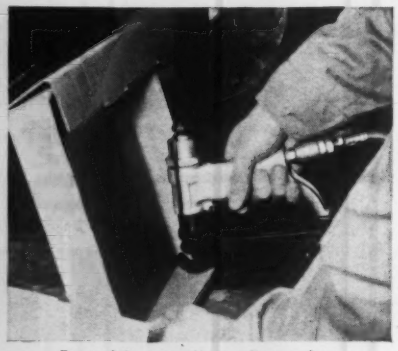
For more cost-cutting information plus a list of sources of Syl-off coated papers, write Dow Corning Corporation, Department A923, Midland, Michigan.

first in silicones

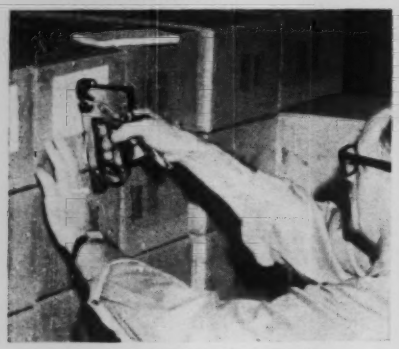
Dow Corning



Staple-nailing expendable skids, crates and boxes.



Portable stapling plier solves carton assembly problem.



Attaching shipping tags to filled corrugated cartons.

Fastening liners and protective pads to shipping containers.

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bon packages that demonstrate the point. "First," says John G. Hubert of Burroughs central purchasing staff, "we switched the ribbons from tins to cartons. This was a 6 million-unit seller annually, but the new package we started using didn't beef up that sales figure. So we decided to deck it out with a three-color overlay.

"That's when things started to happen. The new design was a girl's package—it was beautiful. Sales shot up 18% in the first year, and are still climbing."

Some of the leading graphics men note that, if anything, there is a tendency to lean too heavily on graphics today. One designer warns against glossing over at the end of the line with good graphics, but forgetting such basic factors as protection and better materials.

There is little likelihood that his warning will be heeded. In consumer packaging, the graphics of packaging rather than product quality often account for the purchasers' decision to buy.

Loud & clear

The recent development of fluorescent inks adds to the drive for gaudier packaging. Gordon D. Russell, vice president of Switzer Brothers Inc., originators of daylight fluorescent colors, proudly points to the successful use of the company's DAY-GLO inks by Procter & Gamble. The big soap maker, after months of study and trial, decided to use the fluorescent inks on its Tide and Oxydol packages to get greater color purity and visibility—and, of course, customer appeal. "Colgate," says Russell, "has also started using fluorescent ink for Ad soap powder containers, and other companies are planning to make the move."

One obstacle to wider use has been the inability of letterpress and lithographic techniques to come close to the fluorescent gravure results. However, considerable progress has been made, and Russell is confident that further research will open up new uses for fluorescent inks.

If it does, color may well cement itself to packaging so completely that paperboard will hold its lead for decades to come. This would square well with another of Walter Paepcke's well-known statements: "We're in business to make our money grow."

Special Report continued on page 65

GET THE "JUMP" ON COMPETITION Cyanamid's famous brightener, Calcofluor® White, dramatically increases the visible whiteness and brightness of packaging board to a level never before possible. This may be the "new idea" you've been looking for. Whites become the whitest ever...type more legible...designs sharper, more exciting...colors have impressive power. Your package springs to life! • Whatever you market, from soap to salt, Calcofluor-treated board can make your package easier to **see**...your product easier to **sell.** Start a chain reaction of new ideas in your organization. Write for a free demonstration kit...today! • American Cyanamid Company / Dyes Department / Bound Brook, N. J.

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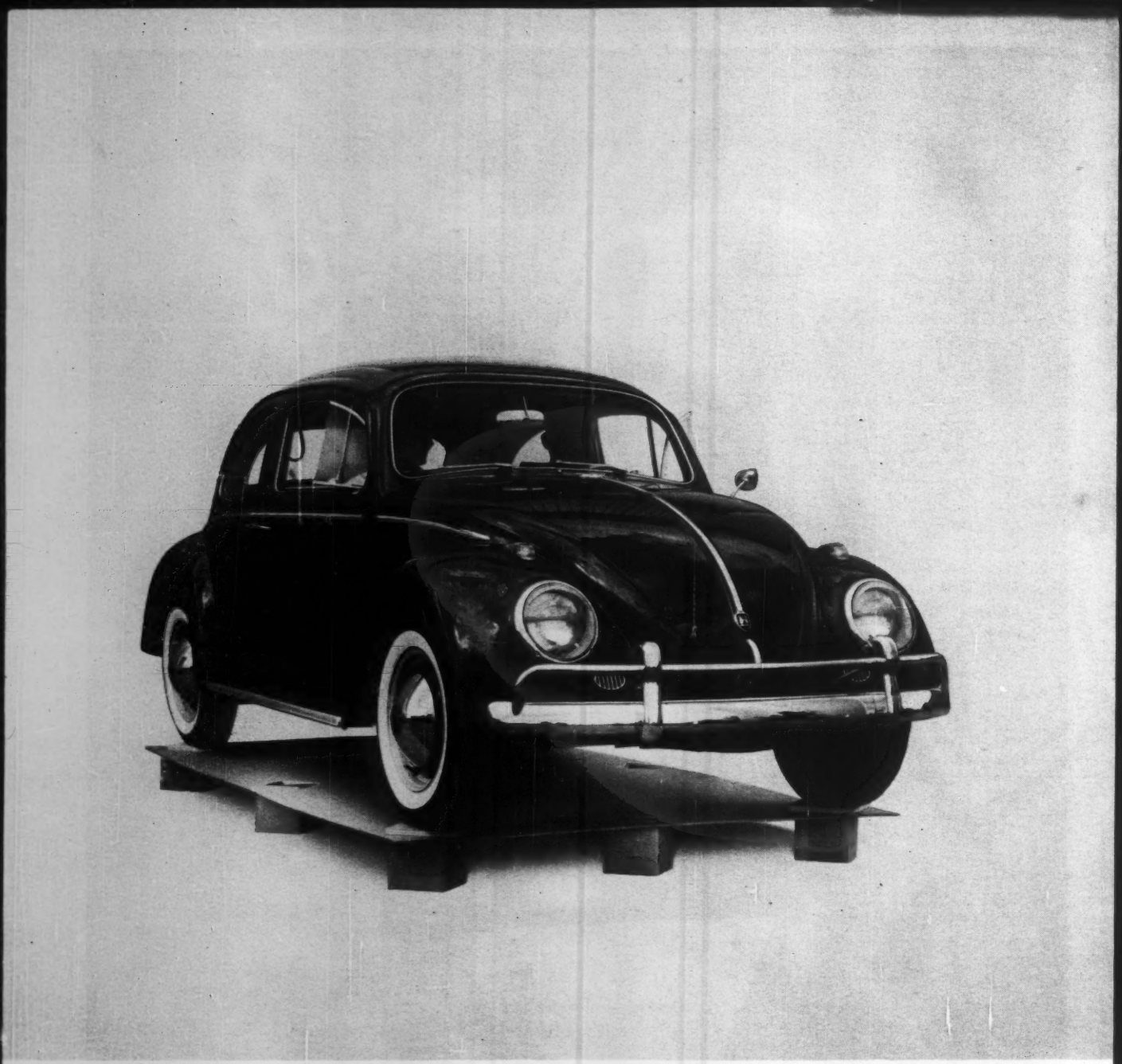

HOERNER CORRUGATED PALLET HOLDS A 'VOLKS' AND ITS FOLKS

This new Hoernér pallet, made entirely of corrugated, holds a 1631 pound Volkswagen and its occupants. Total: 1981 pounds. Sound amazing? Well, pardon our immodesty but we think it is. Even more amazing is the way the posts support the pallet: with, what Hoerner design engineers call, "friction fit;" without glue or staples. The pallet is shipped knocked-down and is easily assembled. It's disposable; there are no return costs; and its initial cost is also less. This pallet is one of Hoerner's unique applications of corrugated, an application a Hoerner packaging engineer will be glad to demonstrate. (Designing and building better corrugated containers for everyday items is, of course, much simpler.)

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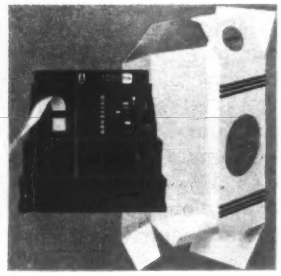
Hoerner

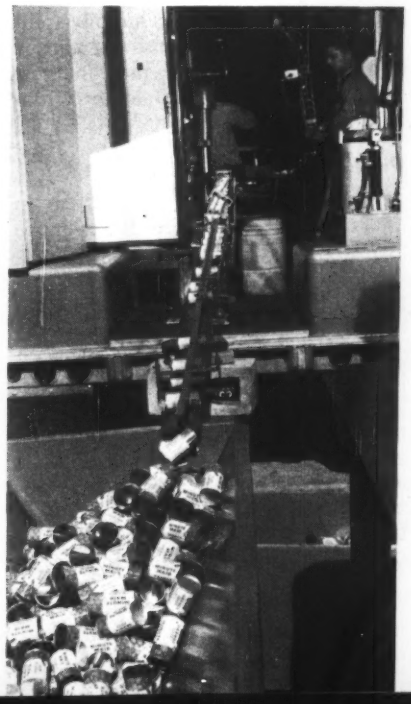


Dominated by the giant can industry, the metal packaging field is swirling through an era of change, paced by "skinny steel" and hard-pushing aluminum.

The Tarnished and the Bright

"THE metal packaging field," said one consultant at a DUN'S REVIEW round table, "is like a carousel in a cyclone. The motion is constant, you sometimes feel like you're going in circles—and, brother, a whale of a lot is always happening."

Though that might sound like an overstatement, it really is not. Seldom have winds of more cyclonic force blown through metal packaging. Every day new collapsible tubes, more glittering foils, are coming on the market. Even the prosaic shipping containers, oil tanks and drums, are fighting for sales. And the $2-billion-a-year can industry, once a staid and rather prosaic business, is going through one of the most competitive phases of its life.



The canmakers are, in fact, supplying much of the excitement. Not since the first canning process fed Napoleon's troops, or since the canmakers first moved into the glassmakers' beer market in 1935, have they been so excited and restless.

The reason for that excitement is that the canmakers now feel they can repeat their beer coup with soft drinks. True, they are hardly likely to make it into their single biggest customer, as beer is today. But they are well aware that a small part of that annual $2.8 billion market would make a big difference even to the massive American Can Co. and its arch rival, the Continental Can Co.

So the canmakers are gunning for no less than 10% of the total soft drink business, a threefold jump from the relatively puny 3% they now hold. They hope to reach that goal by 1965, thus pouring another $100 million into their coffers in just four years.

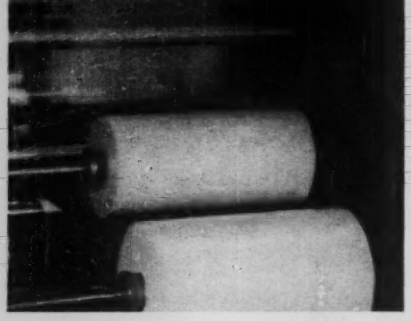
Can they do it? Not unnaturally, the canmakers say "yes." As they point out, the nation's grocery shelves now carry every major soft drink in cans for the first time in history. That lineup, moreover, includes such famed "bottle babies" as Coca-Cola, Pepsi-Cola, Seven Up and Canada Dry. So far, it is true, those inroads have come mostly at the expense of no-return bottles. But next year, the canmakers believe they can cap the most effervescent part of the carbonated business: the returnable bottle.

The only thing that mars that drive is its sheer desperation. As bright as their future may be in carbonated beverages, it has become more than a bit tarnished in some of tin's more traditional markets. For just as the canmen are driving into beverages, competing forms of packaging already have stolen away some of their choicest markets.

The non-returnable bottle, for example, has won the glassmen back a goodly share of the beer market. Even worse is the competition from aluminum, that most relentless of all materials. In recent months, the versatile gray metal has been used as the raw material for lightweight cans. Just recently, though, the Reynolds Metals Co. went a lethal step forward. In Florida it started setting up assembly lines to turn out cans itself. From them will pour 30 million cans a month, a rate that will permit Reynolds to drop prices to the level of the tin can. And aluminum cans already hold the ad-

SLASH WASTE

in continuous web-fed packaging operations



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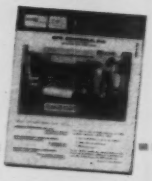

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vantage of being at least 69 cents per thousand cheaper to ship than the output from Concan and Canco.

The canmakers will have a difficult time fighting them off. Unlike the aluminum makers they have precious little of the fat profit margins which fund invasions into new fields. Out of every 3 cents they get from the customer for a can, they must pay more than 2 cents just for the tin-clad steel to make it. What they have left to cover all production, marketing and distribution costs amounts to one of the loneliest little figures in all of industry: just nine tenths of a cent.

A matter of machinery

So while their struggle may not yet be one of life-and-death, it is one the can companies can ill afford to lose. Will soft drinks be their salvation? Many of the soft drink companies, it should be noted, are pessimistic about the prospects. Some of them believe the consumer still wants his drinks in bottles. Others openly doubt that cans can ever compete with returnable bottles in price.

Still another snag comes from the high cost of can-making machinery. According to informed estimates, it could cost up to $300,000 for a bottler to set up his own high-speed canning lines. He can, though, put in a non-returnable bottle line for roughly $50,000.

To whittle down those costs, American Can Co. decided to enter the contract packaging field to accommodate bottlers eager to try cans. Plans called for building six plants spotted about strategic sections of the country. Scheduled openings: sometime in 1962. The scheme, a totally unprecedented one, departs radically from current practices by Canco and Concan of delivering empty cans to bottlers who either fill them themselves, or farm out the job to subcontractors.

Insiders, though, predict rough going for the new system. According to one, contract canners have threatened to buy solely from chief competitor Concan, if American enters their field!

One assist, a somewhat forced one to be sure, is coming from steel. As the steelmen's third biggest customer (with 4.8 million tons a year, behind only auto and construction), the can industry's future is a matter of pressing concern to Pittsburgh. So after Canco's Chairman William Stolk paid out $40 million to enable Canco to cut its own steel from coils, the steel mills got busy. From their laboratories came "skinny steel," which is roughly 50% lighter than the former product.

Will "skinny steel" save the day? Certainly, it is a weapon vitally needed by the canmakers in their battle against aluminum. In 1957 Esso Standard Oil Co. ordered 35 million one-quart aluminum cans to market its motor oil. Today, a dozen petroleum companies use aluminum, and the metal is being used successfully to package beer, fish and meat products. Aluminum people are eying the tuna and salmon markets, sensing a potential $49-million-a-year prospect. And Campbell Soup Co., which just launched seven new dry soup mixes, decided to package its Red Kettle line in all-aluminum cans which require no can opener (a pull tab does the job).

Matching the competition

Can "skinny steel" stop that trend? Aware that one of aluminum's strongest selling points is its lightness, the steelmen have put the development of tinplates on virtually a crash basis.

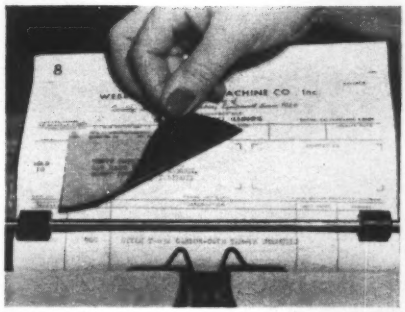
But just how much lighter can you make tinplate? Justin Simpson, general manager of Concan's metal research department, offers a hint. "We're even experimenting with 35-pound plate," he says. "Whatever disadvantages there are, we feel they will be offset by cost savings."

Yet the aluminum makers will not be easily pushed out of their new market. More than half of the frozen citrus juices packed in cans finds its way into aluminum containers. And Minute Maid, the industry's largest maker of fruit juice concentrate, is happily spinning off some 400 aluminum cans a minute from assembly machinery it bought last year from Baldwin-Lima-Hamilton Corp.

Growth in foil

Aluminum's biggest frontier in packaging, though, probably is in the growing world of foils. There, aluminum offers what most likely amounts to an exclusive. For foil is the only flexible packaging material with the properties of metal. Consequently, it performs well in keeping out insects, gas, vapor, light, and other contaminating influences. Perhaps the most widely recognized use of foil today is in the frozen food field. Every housewife who ever heated up a TV Dinner has been exposed to its virtues.

Ekco-Alcoa Containers, Inc., a hy-



WEBER "TAB-ON" STENCILS can be integrated with any and every type of order processing system. Forms and stencils can be prepared with customer's address simultaneously on any typewriter or type of data processing equipment. After typing, stencil is taken from form: placed on a Weber handprinter for direct-to-carton addressing, or used with Weber label printing machines.

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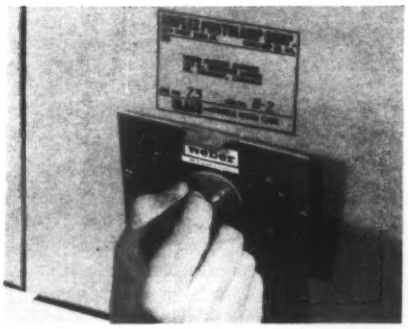
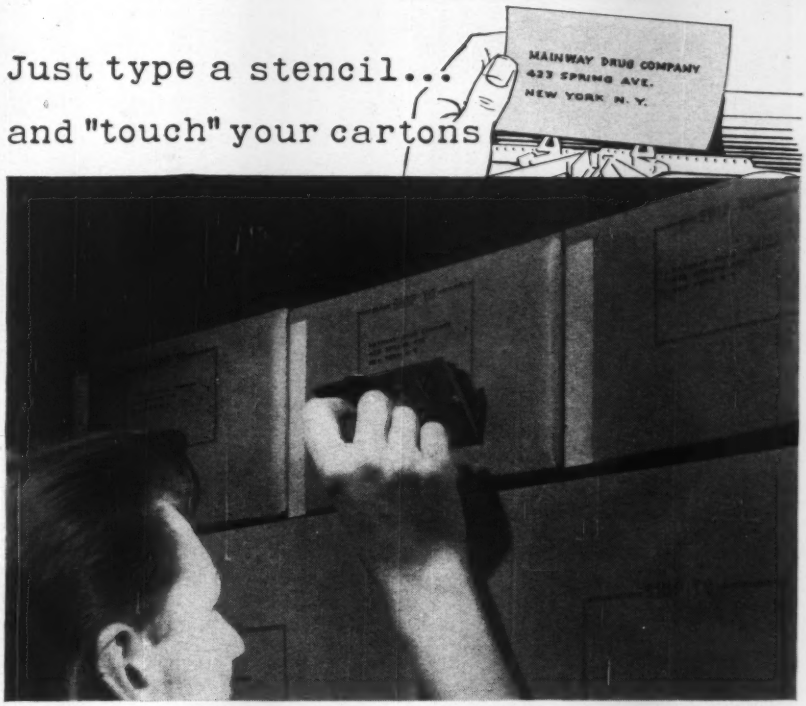
Write for Model 80 Bulletin



"FACSIMILE LABEL" STENCILS can be die-cut in a facsimile of your present shipping label with all standard information pre-cut. Type or write the shipping address, place the stencil on a Weber handprinter, and with just a touch the complete label including address is printed directly on the carton. It's waterproof, fadeproof, and can't come off!

Write for Facsimile Label System Bulletin

Just type a stencil... and "touch" your cartons



Fastest, easiest way to address your multiple carton shipments

Weber "Touch-Stenciling" replaces labels and stencils boards. It's fast, neat and systematic

Want a quick, easy way to address shipping cartons? Then try this new Weber "Touch-Stenciling" system —means no more stencilboards, rubber stamps or label typing.

Shipping cartons, pre-printed with "Ship-To" label frames, are addressed by simply printing the customer's name and address within the frames with a Web-O-Print hand duplicator. It prints from a stencil that you can type or handwrite. Just a "touch" on the carton leaves a clear, sharp, permanent print.

With a smooth, one-hand motion 40 to 50 cartons can be addressed in a minute. After the shipment is addressed the stencil is thrown away, saving filing time and space.

Weber stencils can be prepared as part of your order-invoice writing procedure to save time and eliminate shipping errors. They can be cut as a by-product of forms typing on manual or electric typewriters, automatic accounting machines and other modern office equipment.

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brid corporation owned jointly by Ekco Products Co. and Aluminum Corp. of America, produces rigid aluminum foil containers in a variety of sizes and shapes. Though still an infant, E-A is already the leading manufacturer in its field, having established a firm footing in the institutional feeding area with one-portion, throw-away containers for jams, jellies, and such. Now it is looking ahead to mass retail sales of unit-packed foods for the housewife. President J. William Didriksen thinks the housewife will soon be able to buy prefried bacon in a sealed pouch which can be popped into a toaster and then served hot.

Apart from its possibilities in the food field, aluminum shows promise as a moisture barrier in corrugated containers. Air Reduction Sales Co., for one, is using this material to minimize the absorption of moisture in low-hydrogen-type electrodes. Tests, says Air Reduction, show that when the foil-lined package was stored for nineteen days in a sealed chamber (humidity 90%, temperature 85 degrees), the electrode absorbed only 0.36% moisture.

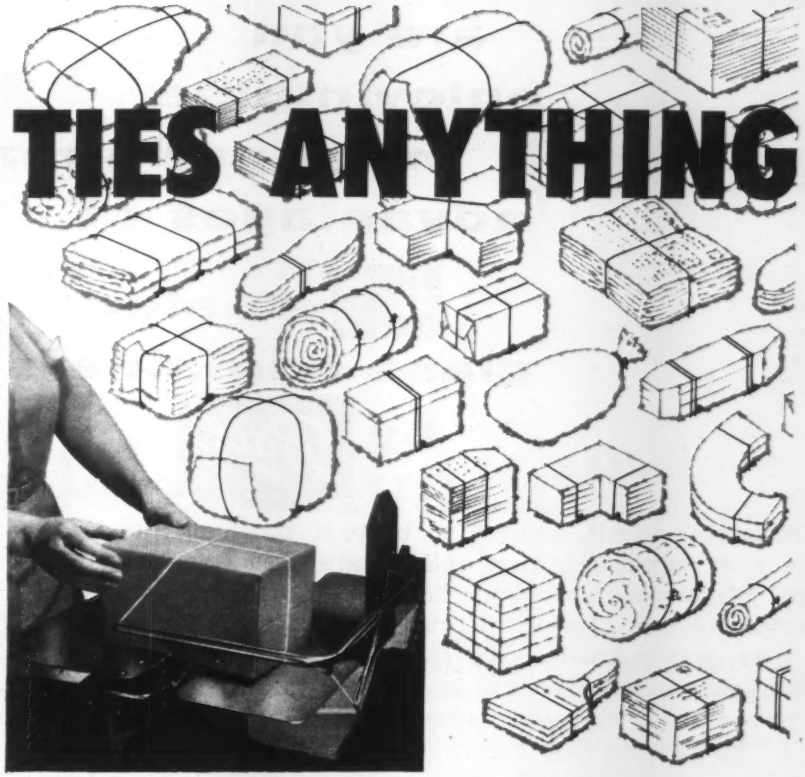
What about the competition of metalized papers? Aluminum is confident that that medium poses no threat to its own foil. Notes a Reynolds Metals executive: "We have never lost an account to metalized paper. It possesses no functional advantage over plain paper, and its only competitive area would be in applications which use foil just for decoration."

The plastics push

If aluminum foil pushes ahead, it will certainly mean more profits in a rapidly growing industry. But one area in which aluminum may find that its share will decline is in the field of collapsible squeeze tubes. Though aluminum accounts for more than half the collapsible tubes produced, it is being pushed hard by plastics—in particular, polyethylene. Another possible victim of the plastic drive may be lead, which currently accounts for some 28% of the collapsible-tube market.

Come what may, only one thing is certain. That is change. For in the competitive world of metal packaging, many a king has been dethroned. "In a way," mused one participant at a DUN'S REVIEW round table, "it's a lot like Hollywood. Yesterday a star, today a has-been."

Special Report continued on page 71



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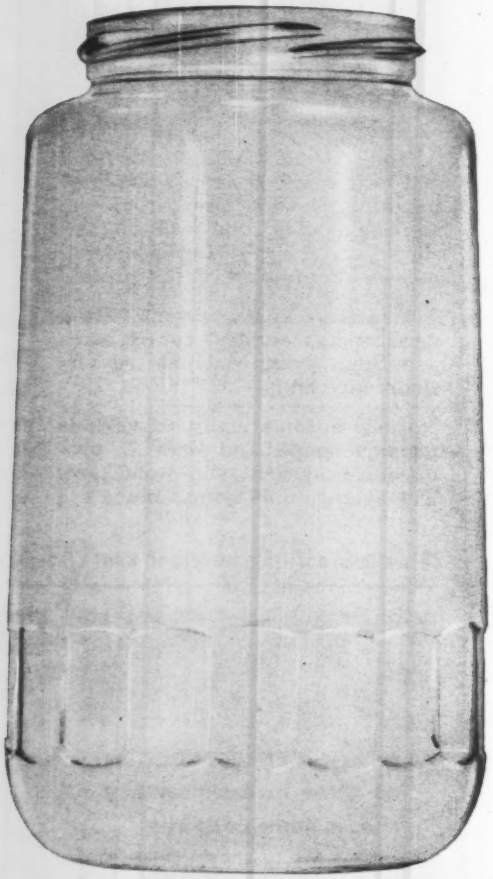

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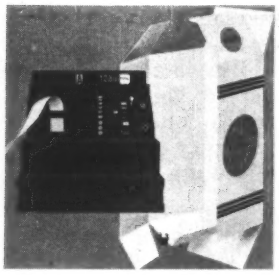


Time and again competitors appear to deal it a death blow, but glass keeps coming back more strongly than ever before.

The "Fabulous Invalid"

NEARLY every time some form of packaging decides to attack a new market, it picks out one likely victim: glass. Time and again, competing materials have dealt what seemed like a death blow to glass. The "tin" can moved into its soda pop market. Paper moved in on its milk business. And one of the newest plastics now intends to move in on a glass market that surely seemed safe from any attack: the new plastic will act as a portable cocktail carrier.

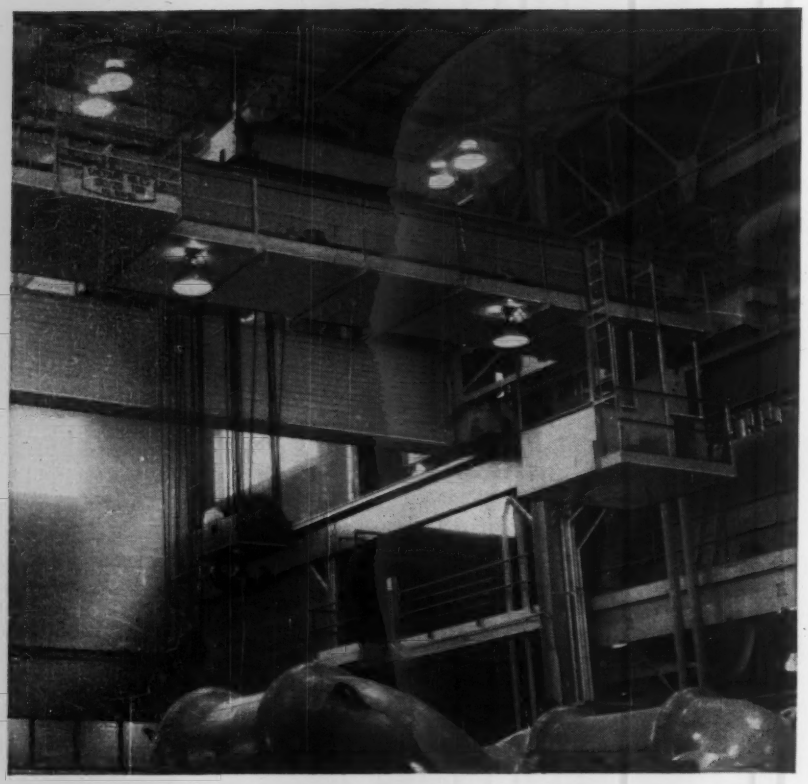
But if glass is the invalid that competitors charge, like the Broadway theater it is a "fabulous" invalid. "Our competitors," agrees one glassman, "keep predicting our demise. But we were in the packaging game long before their materials were invented—the first bottle was made in Egypt 35 centuries ago—and we'll be bigger than ever in the years to come."

Brave words, indeed. In this case, though, the facts stand just as strongly. In fact, the statistics on glass glisten with all the sparkle and shine of a newly-blown bottle:

- Sales of glass containers have grown at a steady 4.1% annually, twice as fast as the population increase, over the past ten years. Even better, that rate probably will jump to an even healthier 5.4% per year over the next decade.
- Some of those "stolen" markets now are returning to glass. In the first five months of this year, for example, the strong acceptance of the lightweight, nonreturnable "handy" beer bottle had reduced the can's share from nearly 40% of the market to 34%. Similarly, more and more milk is appearing in glass after twenty years of decline.

Yet how can glass keep rising from its so-called sickbed? The laws of economics explain much of its stamina. No other raw material is as plentiful or as cheap as the sand of the glassmen. What is more, it takes exactly $3.82 worth of that sand to make no less than $100 of highly marketable glass. Add those figures together, and it is easy to see why a top glassmaker like Libbey-Owens-Ford earns a walloping 29.7% on its stockholders' equity during a good business year.

That return and those glittering economics tell the tale. The glassmen have plenty of the financial where-



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withal to fund research programs of any size they need. And from their well-endowed laboratories have come a steady stream of new glass *qualities* —changes in its inertness, its transparency and its formability — that enables glass to often take on the very characteristics of the metal that is trying to deal it a death blow.

Glass with muscles

Seldom in the past have the laboratories been working as hard as in recent years. Take their work on strength, a quality for which glass has never been known. Technicians have produced laboratory glass with extraordinary tensile strengths of from 250,000 pounds to 1 million pounds per square inch, far higher than those of even the best steels.

Commercial glass, of course, shows strength of only 1% to 10% of this amount. The laboratories, though, are working on that one, too. One cause of lost strength in glass comes from microscopic abrasions made before the glass has cooled and hardened. But the glassmen are solving that problem by spraying the outside of the bottles immediately after they are formed with very thin lubricating coats of plastic, silicone or stearates.

Not only have such coatings strengthened the glass, they have cut its weight by 30% over the past thirty years. "We're only just beginning with these abrasion-resisting coatings," says Francies R. Newcomb, vice president of the American-Wheaton Co., the American Can Co.'s glass subsidiary. "They will help us to reduce the average weight of glass containers by another 20% in the coming ten years."

Not that lighter glass alone will keep the glassmen strong. Far from it. Some customers, in fact, have no intention of taking advantage of this particular laboratory miracle, since they have always "overdesigned" their bottles to make the contents loom larger to the customer.

Fortunately, strength is not the only trick up the glassmen's sleeves. Take the "drip." This practical illustration of the laws of gravity causes many housewives to turn away from bottles when fluids of various sorts drip down to the clean tablecloth. In time, however, this minor crisis may become as rare as home-baked bread. At the Hazel-Atlas Laboratory in Plainfield, Illinois, researchers are developing

"no-drip" coatings for bottles. Many different organic coatings are under study, but a "Teflon-like" substance appears to be the element that will restore glass to its proper place on the dining room table.

Another roadblock for glass has been the ultraviolet radiation in sunlight, which is one of the great enemies of food color and flavor. The traditional way of cutting down on light passage, of course, has been to color glass. But amber or green glass merely reduces ultraviolet rays without actually eliminating them.

Now Owens-Illinois Glass Co., the industry leader with over 40% of the market, has managed to eclipse the sun by developing "Ultrasorb" glass. This new packaging material is very close in color to the regular emerald green glass used for soft drinks. Yet it blocks far more destructive light—over 80% of the rays, in fact. Says Pepsi-Cola's top packaging expert, Lon H. England: "It sure does the job; now we'd like to see a *clear* glass that blocks ultraviolet light."

England's wish is far from fancy. All the big glassmakers are working feverishly on plastic coatings for glass that are transparent to ordinary light, yet opaque to ultraviolet.

Owens-Illinois, for one, has already developed such coatings. However, because of costs, chances are that these coatings will be used only on expensive pharmaceutical containers in the foreseeable future. According to Vice President Sid F. Davis: "We have a family of coatings perfected by our research department which generally perform the same function as Ultrasorb. However, they are more expensive and are not yet in commercial use."

In packaging cosmetics, on the other hand, heavy, opaque plastic coatings are being applied to glass to give it the shatterproof quality essential for containing pressure-packed aerosols.

Despite the customer's enthusiastic acceptance of the glassmakers' new products, it should be noted, the fabulous invalid is not without a few pains. This year, industry profits are down sharply. But if glass packaging continues to grow at a healthy 5.4% a year, compounded, national consumption should easily double by 1971. That adds up to 46 *billion* bottles a year—one more proof that glass is an invalid that will not stay bedridden.

Special Report
continued on page 75

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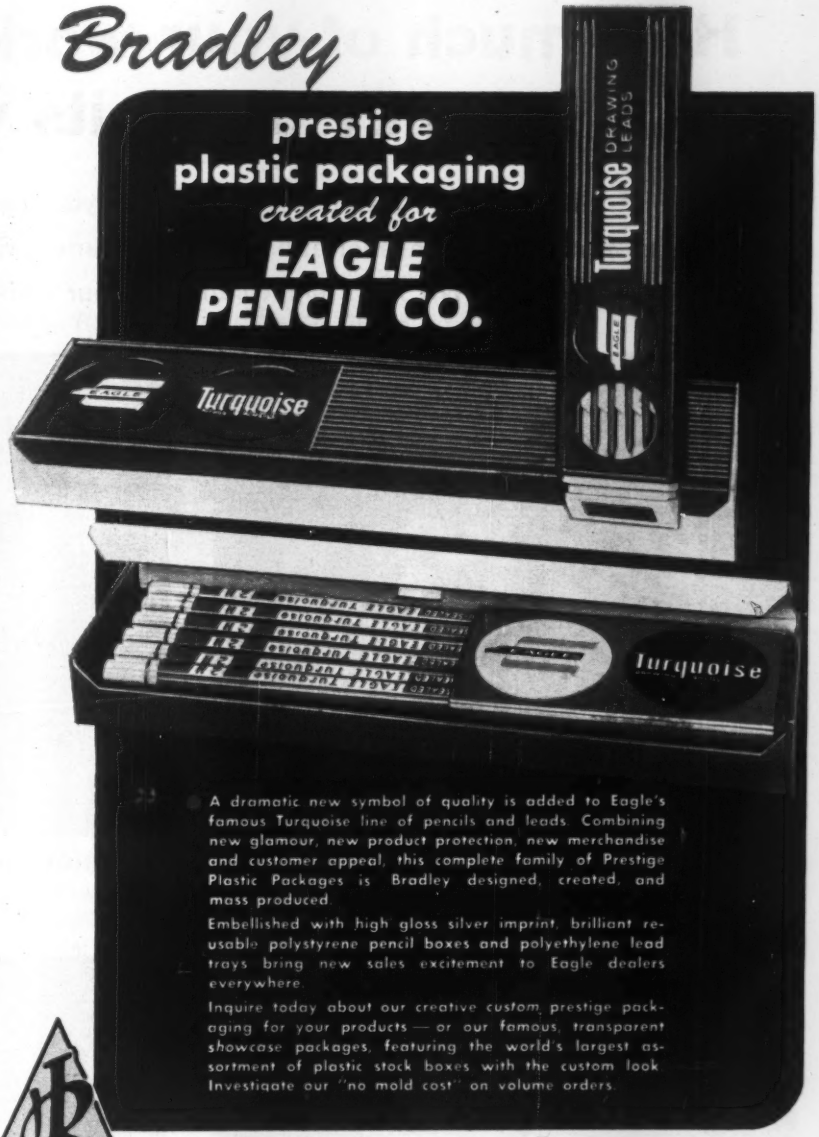

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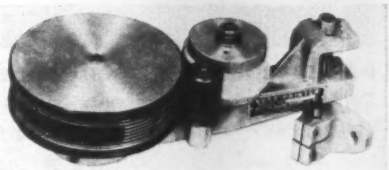

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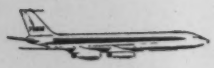

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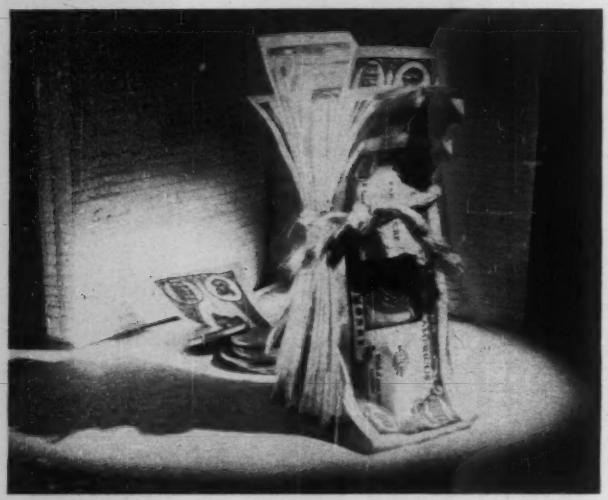

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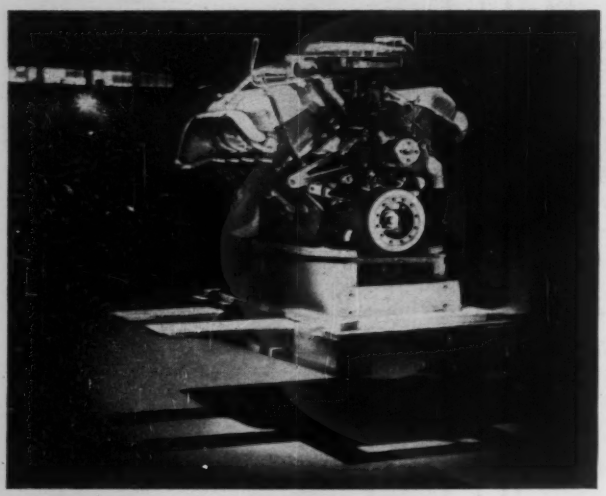

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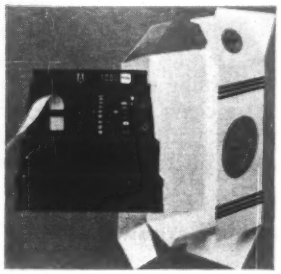


Behind their leap upwards in packaging lie qualities of "something more"—lower prices and easier handling. But two snags could slow their success.

The Rocketing Plastics

IN the whole world of packaging, no segment is so volatile, moves with such startling rapidity or keeps swamping buyers (and sometimes itself) with such floods of new products and new processes as the field of plastics. A packaging buyer who had been out of the business for even so short a time as ten years would hardly recognize the place now.

In 1951 it was the cellulose family —paper, paperboard, cellophane, cellulose acetate and wood—that virtually dominated the business. Plastics? They were barely visible. They were limited to a comparative handful of squeeze bottles, bottle caps, Bakelite cases and a fairly insignificant quantity of thermoplastic film.

The change in the last decade has been enormous. True, if all the competing materials are ranked in order of the dollar volume of their business, paper and cans still stand far above the rest. But plastics have been rocketing up. No packaging designer could now conceive of functioning without them.

A whole galaxy of new plastic packaging products stands behind the few that made up the market ten years ago. And they are constantly being recompounded by the technicians' tricks in coating, laminating, blending, irradiating, modifying and copolymerizing.

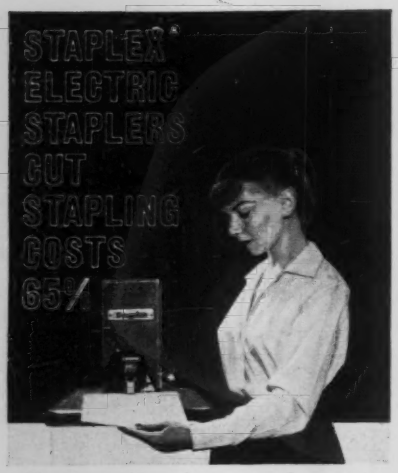
HOTTEST MARKETS for new plastic packaging materials are in food products, where plastic film is getting set to win the rich bread-wrapping market.

Merely to list these plastics by name would fill pages, and a complete list of their properties would fill an encyclopedia. A few of their diverse properties give the idea: they may be impervious to water—or completely soluble; sparklingly transparent—or as opaque as lead; malleable—or as rigid as a Buckingham Palace guard; tough as an elephant's hide—or soft and weak enough for a baby to tear open; airtight—or porous.

Such extraordinary diversity is only part of the plastics story. Any material that sets out to gain a fast-growing place in the harshly competitive packaging market needs to back up its own qualities with something more.

Plastics have that "something more." They have been getting easier to handle in fabrication. New machinery has been developed to speed the transformation of the raw plastics into packages. The plastics makers themselves have backed their products with intensive technical services for their users. And probably most important of all, plastics' prices are low. Plastics are, in fact, the only packaging materials that are likely to decline in price in the years ahead.

All this makes a potent combination. Perhaps the best indication of its strength lies in the fact that part of the growth of plastics' involvement in packaging has come not at the direct expense of other packaging materials but out of the sharp growth of the total market. Plastics—and



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their versatility and the services that back them up—have created a market for themselves, a market that began and has grown simply because many forms of packaging were impossible to handle in the days before plastics.

The case of Dr. Jules Montenier and his squeeze bottle is a prime example of this. Montenier, one of the great businessman-chemists of the plastics industry, began developing plastic squeeze bottles in 1945. Until then, deodorants had all been packaged in small glass jars; to apply them, the customer had to get her—or his—hands sticky. Montenier instead packaged one brand of deodorant in plastic squeeze bottles. He launched his brand — Stopette — in 1947, and in a couple of years it was the leader in this lucrative field. Yet it achieved that position without cutting into sales of existing deodorants. Montenier's plastic bottles simply created a whole new market.

Today, deodorants packaged in plastic roll-on applicators are leaders in the field, and the squeeze bottle is on the decline. However, this does not greatly bother Montenier. He sold his company to Helene Curtis in 1956.

Push for market

But plastics' growth in packaging has not by any means always been so benign. They could not possibly keep up their phenomenal rate of growth of 20% a year without hacking into the preserves of other packaging products. And this is a process that is likely to become increasingly competitive, for the plastics makers find that the packaging materials business is rapidly becoming a much more important and more profitable part of their business. Packaging, indeed, now absorbs between 10% and 15% of all plastics production. Naturally, the more important the packaging market becomes to them, the harder the plastics makers will compete for a larger share of that market.

As the competition becomes more intense the pace of innovation and change grows faster. A glance along the supermarket shelves (housewares department) discloses a scene that changes continually from week to week.

For years, light-duty liquid detergents were packaged in glass jars. Glass had almost all the market there. A couple of years ago tin cans made their debut in the field. They rapidly seized a huge share of the market. But just lately, blow-molded plastic containers—lightweight, high-density polyethylene bottles — entered the field. With lightning speed they have made almost a clean sweep of it. Today, the plastic bottles have grasped well over 90% of the business in liquid detergents.

Fast changes, fast growth

That is only the beginning for these new plastic containers. Now they are reaching out for new markets. The can and glass makers are already reconciled to losing the entire household-chemicals packaging market and a large part of the industrial-chemicals packaging market to blow-molded containers.

In their grab for that industrial market, the plastics fabricators have developed processes for turning out the containers in sizes up to 50 gallons. This year some 1 billion of these new containers will be used in industrial and consumer packaging. But by 1965, insiders in the industry predict, at least 3 billion will be used each year.

To some producers these violent changes mean severe losses. But to others they mean no more than switching money from one pocket to another. Owens-Illinois Glass Co., the leader in glass bottle making, is also the largest supplier of blow-molded plastic containers.

But whatever these changes may mean to different companies, there appears to be no stopping the changes themselves. In half a dozen large packaging markets, displacements are taking place fast, and in each case plastics are making the leap to the top.

Bread-wrapping, a field worth many millions of dollars a year to the packaging industry, is pretty well the domain of cellophane and wax paper. But in a couple of years polypropylene film is likely to push them aside. Industrial materials like cement, dry chemicals and plastic resins were not long ago almost all packaged in multiwall paper bags. Now, heavy plastic bags made of polyethylene or polyvinylchloride are giving multiwall fierce competition in this area.

And though aerosol cans, a thriving business, have in the last couple of years given a great fillip to the trade of the can industry's metal sup-

pliers, new plastics are now on the way. Du Pont and Celanese are both grooming their tough acetal plastics, Delrin and Celcon, to grab a part of the business. These are the first plastics strong enough to be used in economical weights to contain pressure-packed products.

Plastic nets may soon begin to displace twine sacks in the packaging of oranges, potatoes and onions. And plastic trays are likely soon to replace trays made of paper in the fast-growing business of packaging frozen foods.

Sometimes the battle for the market gets more complicated. In one such fight, plastics producers are beginning to square-off for an assault on the rich field of milk packaging. The all-plastic milk container, already widely used in Europe, is just starting to make its appearance in the U.S. And industry leaders predict that within ten years this new type of container will have displaced the familiar wax-coated container in the packaging of milk and fruit juices.

But before the all-plastic container reaches that goal it will have to take on a contender that has only just entered the field—the polyethylene-coated paper container. This new container is priced competitively with the old wax-coated container and is likely to grasp a large share of this big (15 billion units a year) market before long. It has two advantages: it rarely leaks, and there is no chance that the consumer will ever find bits of wax floating around in his milk.

Cannibals at work

This battle for the milk trade illustrates just what is beginning to happen in the packaging materials industry. Plastics first entered the market by creating a new market area of their own. Then they started eating into the markets of other packaging materials. Now they are turning cannibalistic.

It is a paradox of the industry that plastics themselves promise longer life for other packaging products in the market as a whole. The reason is that makers of other packaging materials are adding one or another form of plastic material to their products and are making the combination more versatile, more likely to hold a place in the market against the onslaught of all-plastic products. The plastics makers do not mind this;

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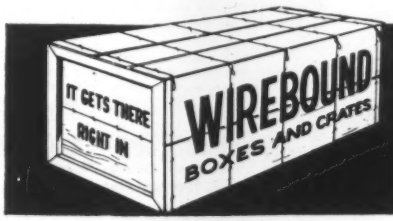

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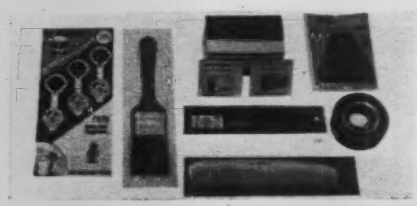

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wherever their product is used, their income grows.

Cellophane, for example, now comes with a thin coating of plastic that imparts to it many of the desirable properties of pure plastic film. Glassmakers are using plastic coatings to make their bottles more resistant to breakage and to destructive sunlight. Corrugated boxes coated with plastic are gaining much favor because they have many of the water resistant qualities of all-plastic containers—and at lower prices.

Corrugated boxes plus another type of plastic produce nearly damage-proof containers. Urethane foam, formed in place inside the boxes, does the job, and at least one manufacturer has switched to these after a venture into all-plastic shipping containers. Most notable of these switches was made by Royal McBee Corp., which tried all-plastic containers for its typewriters (DUN'S REVIEW, *October, 1959*) and lately turned to the less expensive paper-and-plastics combination.

Some get help

Canmakers, too, assaulted on some fronts by plastic products, are turning to plastics for help. The canmakers have long had to stock a wide variety of protective coating materials, each specially formulated to prevent different foods or beverages from absorbing the taste of the metal can. Now du Pont's Budium, a polybutadiene compound, provides them with an all-plastic liner that will by itself do the work of those dozens of different coating materials.

There are, though, two problem areas for plastics. If they are not constantly watched and tightly controlled by the plastics makers, they could drastically slow the growth of plastics' share in the packaging business.

One of these problem areas has been machinery. Development of machines to handle plastic packaging materials—to form them, wrap them and seal them—has often lagged behind the development of the plastic materials themselves. And without the proper machinery, packagers cannot hope to get the fullest potential out of the new plastic materials.

Packagers ran into trouble when they first switched from cellophane to polyethylene film wrapping. The machinery used for cellophane could not keep up its normal pace when polyethylene film was fed into it be-

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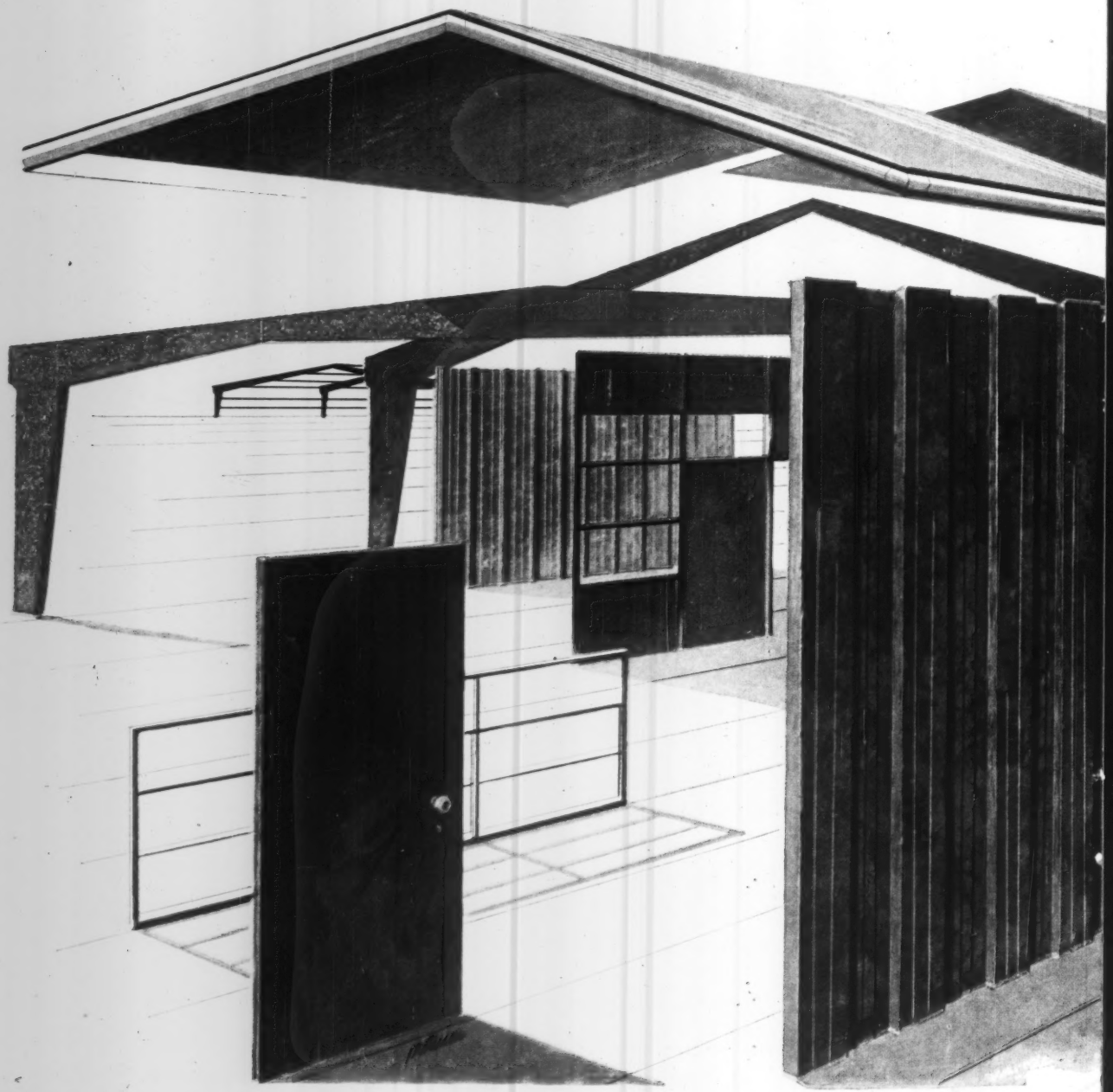
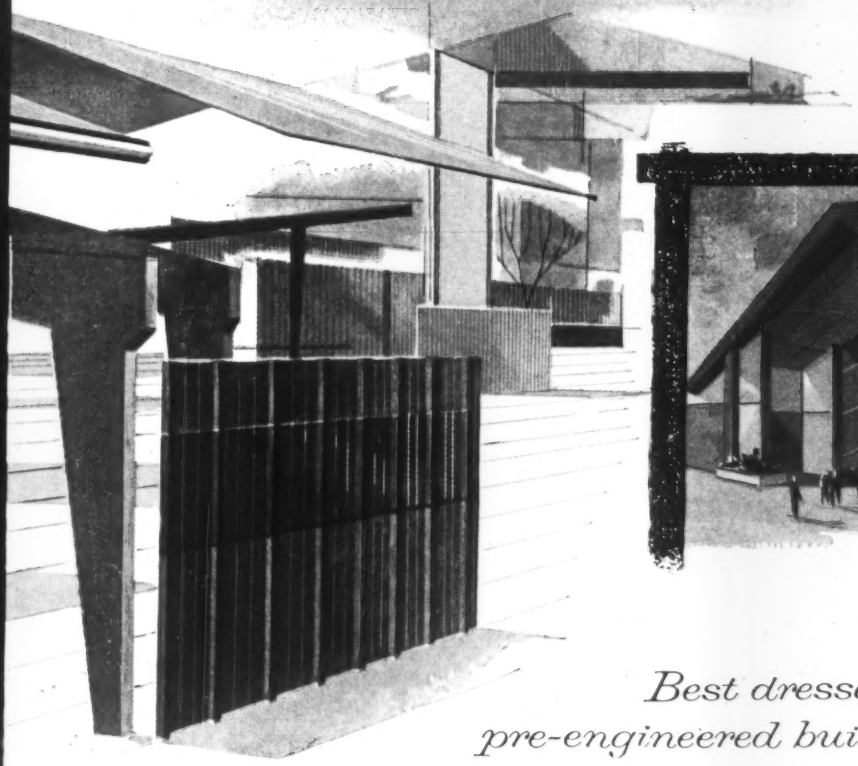


we had ourselves to outdesign...and made a sweeping job of it.



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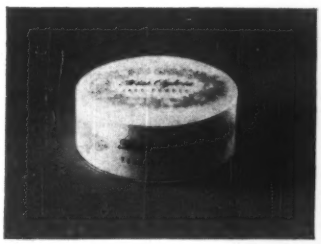

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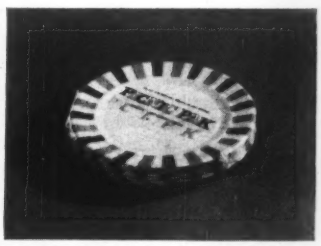

Polyfilm®, Dow polyethylene film, provides tough, low-cost protection in a clear showcase package for paper products and other supermarket wares.

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Midland, Michigan

DOW

cause the film was so much limper than cellophane. The packagers lost the advantage of the film's lower cost per square foot because the machinery had to be run at a slower speed.

Beating this particular problem took time. But the plastics manufacturers were alarmed enough to spend heavily to develop modifications for the old packaging machines so that they could handle the polyethylene film. The manufacturers also rushed to develop a stiffer type of film, and the first result was a film produced by laminating polyethylene onto a stiffer plastic.

The second result of their research was polypropylene film, which is stiffer, glossier and clearer than polyethylene film. This development is producing another of those internecine wars in the plastics material industry. Polypropylene seems certain to take over a large part of the packaging film market—taking it away from polyethylene.

Only a short time ago there were but two suppliers of polypropylene film, Montecatini and Hercules Powder Co. Now Firestone, Humble Oil, Dow and Eastman are in the business, and other big producers are preparing to move in. Just a few weeks ago Avisun Corp. leaped into the market, opening the largest polypropylene plant in the world, a 100-million-pounds-a-year operation at New Castle, Delaware.

A quicker way

Not all the case histories of new plastic packaging products are records of fumbling adaptations of old machinery. New machinery sometimes follows close behind a new plastic's entry to the market.

When packagers first started using the new plastic heat-shrinkable film, they first had to adapt old machines to handle the material. But new machines were rapidly developed to do the job better. One such machine, made by Versapak Corp., does the job for London Records, Inc. Says London Records' Vice President Carl Lurie: "It's faster and better than our other machine, which was adapted from handling another type of plastic material. What's more," he adds, "it costs only half as much."

Even with new machinery, specially designed to handle the new plastic materials, there still remains a second big problem area for packagers

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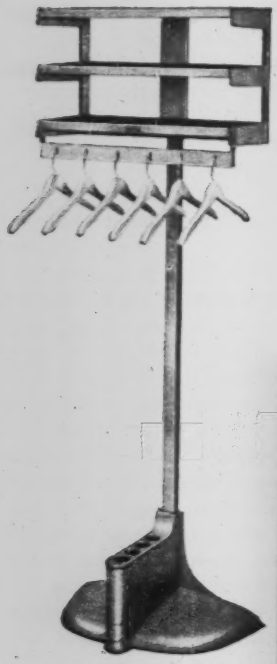

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switching to the new materials. Mead Corp.'s Vice President Arthur L. Harris puts the problem succinctly: "In many of the plants using our packaging machines," he says, "the people operating and maintaining this expensive equipment are unskilled workers. So it's not surprising that maintenance problems are enormous."

J. Russell Sonneborn of F.M.C. Corp.'s packaging and machinery division confirms this. "We know," he says, "that when a packaging machine is shipped from our plant to a customer it has to be more than 'foolproof.' It must be 'idiot-proof.' "

This second big problem, then, is ignorance. But it is not only ignorance and lack of skill among packaging plant workers. It extends to some degree to packaging companies' managements. President Charles Snelling of Standard Plastics Corp. probably overstates the case, but he does emphasize the problem. "The wonderful progress of plastics in packaging," he says, "is in jeopardy because of widespread customer ignorance of these versatile materials."

The plastics producers are working hard to overcome this threat, for which their own ingenuity is at least partly responsible. They keep pouring out so many new materials and making such radical changes in their products that their customers can hardly keep up with the new products. The bemused customer cannot hope to learn quickly the difference between such new products as polyvinylidene chloride and trifluorochloroethylene—or even to spell and pronounce their names.

Network for aid

So the plastics producers have been building up one of industry's most widespread technical services for their customers. Over the years they have set up special laboratories at which customers can see the new products put through their paces. Today, this network of laboratories covers the nation. And as the flow of new plastic packaging products keeps swelling, the manufacturers are putting fresh emphasis on this network.

As they learn better how to beat those two problems of machinery and service, the plastics makers and the packaging machinery producers together will steadily increase plastics' already huge potential.

Special Report Round Table on next page

Around the Round Tables

New York

JAMES A. AUSTRIAN, Director of Psychometrics, U.S. Testing Co., Hoboken, N.J.
PETER BAKER, Packaging Consultant, Arthur D. Little, Inc., New York, N.Y.
JULIAN T. BARKSDALE, Vice President, Marketing, Stephen F. Whitman & Son, Inc., Philadelphia, Pa.
J. E. BOUHL, Marketing Manager, Foil Products Division, Anaconda Aluminum Co., Louisville, Ky.
H. C. BYRNE JR., General Sales Manager, Plastic Films, Visking Corp., Chicago, Ill.
CAMERON CLARK JR., Vice President, General Manager, The Warner Brothers Co., Bridgeport, Conn.
J. L. FOSTER, Sales Manager, Polyethylene, Goodrich-Gulf Chemicals, Inc., Cleveland, Ohio.
THOMAS M. GUILFOYLE, Development Manager, Market Development Department, Continental Can Co., New York, N.Y.
D. R. HARPER, Vice President, A. C. Nielsen Co., New York, N.Y.
ARTHUR L. HARRIS, Vice President, Mead Packaging, Atlanta, Ga.
R. ALLAN HICKMAN, Manager for Market Planning, Dobeckmun Division, The Dow Chemical Co., Cleveland, Ohio.
ALBERT KNER, Director of Design Laboratories, Container Corp. of America, Chicago, Ill.
GERARD B. MEYNELL, Division Manager, Dyes Department, Organic Chemical Division, American Cyanamid Co., Bound Brook, N.J.
ARDITH RIVEL, Associate, Stewart, Dougall & Associates, Inc., New York, N.Y.
GORDON D. RUSSELL, Vice President, Sales, Switzer Brothers, Inc., Cleveland, Ohio.
A. J. SCHNEIDER, General Manager, New Products Division, American Can Co., New York, N.Y.
DR. JOHN J. SCIARRA, Director of Research, Continental Enterprises Laboratory, Brooklyn, N.Y.
NATHAN M. SHIPPEE, President, Inpak Systems, Inc., New York, N.Y.
GRABE SMITH, Director of Packaging and Graphic Design, Kaiser Aluminum and Chemical Sales, Inc., Oakland, Calif.
J. RUSSELL SONNEBORN, General Sales Manager, Philadelphia Plant, F.M.C. Corp., Philadelphia, Pa.
GERALD STAHL, Packaging Designer, Gerald Stahl, Inc., New York, N.Y.
LEONARD F. SWEC, Manager of Packaging Development, Polymer Chemicals Division, W. R. Grace & Co., Clifton, N.J.
FRANK D. WHITE, Vice President, Marketing, J. L. Clark Manufacturing Co., Rockford, Ill.

Chicago

ROBERT S. ARGYLE, Sales Promotion and Publicity, Dow Corning Corp., Midland, Mich.
J. D. CAPPS, Executive Vice President, Wirebound Box Manufacturers Association, Inc., Chicago, Ill.
JACK L. DAVIES, General Manager, Southern Packaging Division, Fibreboard Paper Products Corp., Los Angeles, Calif.
ROBERT SIDNEY DICKENS, President, Dickens, Inc., Chicago, Ill.
JOHN F. DINGES, Director of Advertising and Public Relations, Stone Container Corp., Chicago, Ill.
EUGENE H. DOURS, Manager, Packaging Films, Goodyear Tire & Rubber Co., Akron, Ohio.
RAYMOND L. ERICKSON, Industrial Design Coordinator, Cutler-Hammer, Inc., Milwaukee, Wisc.
WILLIAM W. FINN, Vice President, Container Division, St. Regis Paper Co., Chicago, Ill.
RAY FRASE, Manager, Special Products Department, Signode Steel Strapping Co., Chicago, Ill.
J. G. HUBERT, Central Purchasing Staff, Burroughs Corp., Detroit, Mich.
ALBERT W. LUHRS, Executive Manager, Fibre Box Association, Washington, D.C.
HUGH MORSE, Vice President, Engineering, Packaging Division, Avery Industries, San Mateo, Calif.
KENNETH R. MULL, Senior Vice President, Container Sales, Packaging Corp. of America, Evanston, Ill.
JOHN RANEY, Vice President, Sales, Hoerner Boxes, Inc., Keokuk, Iowa.
ROBERT SALEMBIER, President, Packaging Services of California, North Hollywood, Calif.
R. D. SAYLES, Manager, The Cleveland Container Co., Chicago, Ill.
CHARLES SNELLING, President, Standard Plastics Corp., Fogelsville, Pa.
JEROME H. STONE, Executive Vice President, Stone Container Corp., Chicago Ill.

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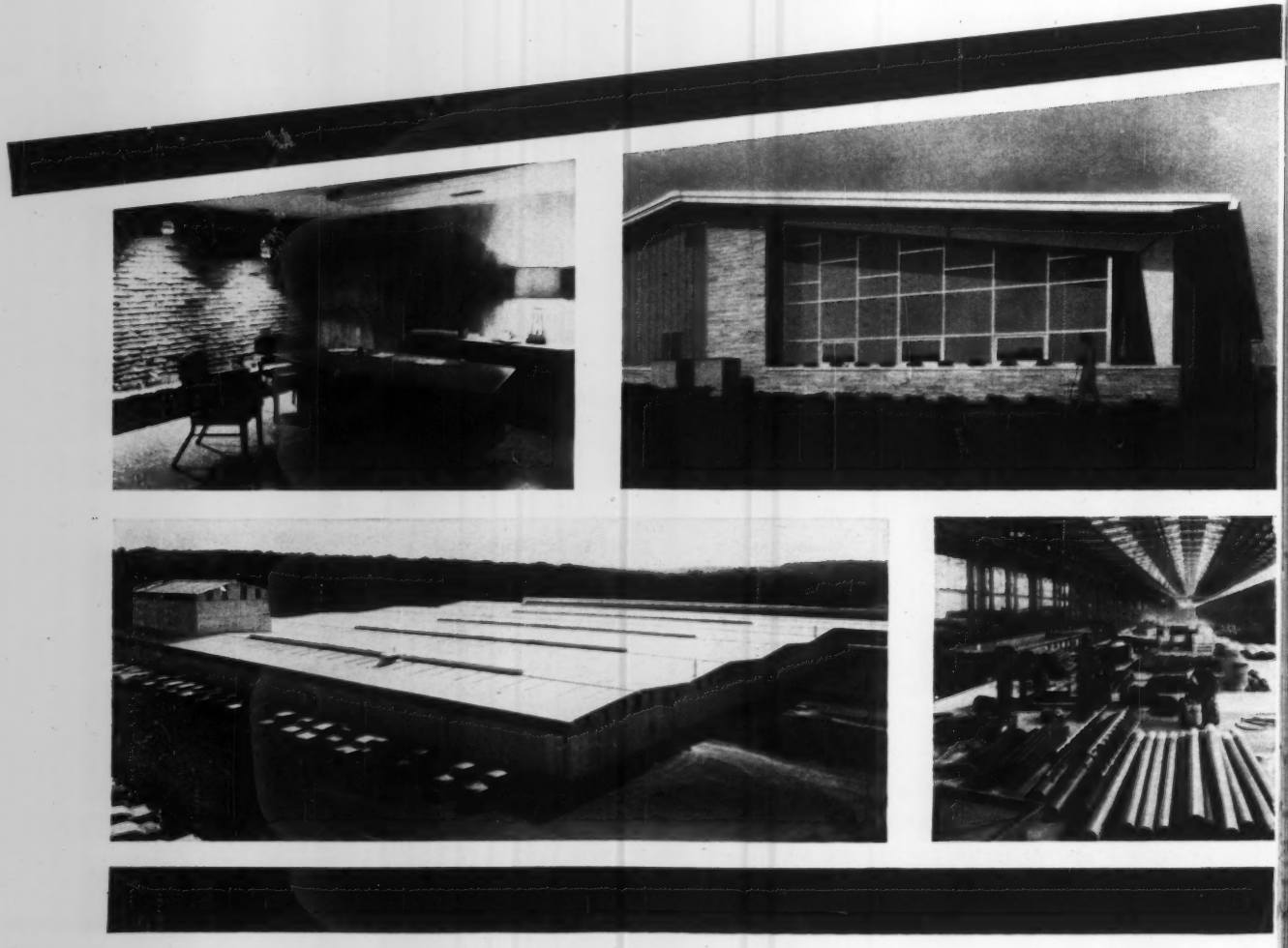

As the pictures quickly show, a lot of different building problems can be solved with one answer—the Armco Building system. This unique building system, with its panel-wall construction, can provide the precise size you need. Floor areas are unlimited. Supporting columns can be as much as 120 feet apart. Overhead clearances can be 40 feet. Heavy-duty cranes are no problem.

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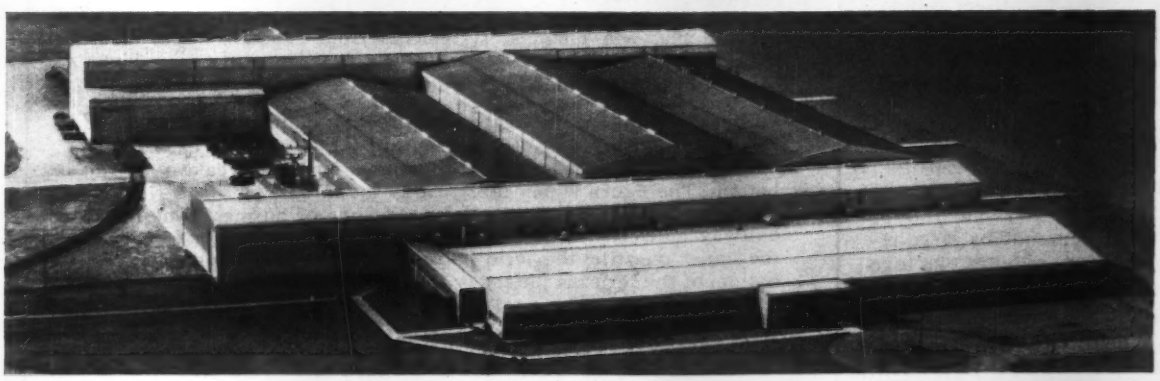

14 Important Ratios in 24 Wholesale Lines

THROUGH all the changes that have reshaped U.S. distribution patterns in the past decade, few businessmen have been more buffeted about than the wholesaler. On one side, he has had to cope with shifting methods of retailing. On the other, he has often been jolted by the breakup of traditional ties with the manufacturer. In a word, the wholesaler is standing squarely in the middle of a revolution in distribution—and he finds the footing slippery indeed.

To be sure, that revolution has not reached into every industry. Here and there, established distribution channels remain virtually intact. Makers of plumbing and heating supplies, to take one example, still market their output exclusively through wholesalers. And in the steel industry, of course, warehouses or "service centers" go on filling their unique function.

Not many industries, though, can show such a uniform pattern. Change and experiment, in fact, have made a crazy quilt of distribution patterns in many lines. Some manufacturers have cut out their wholesalers entirely. Others sell to both retailers and wholesalers without price distinctions. Still others have set up "two-price" systems, selling to both wholesalers and retailers under various arrangements. In certain instances a manufacturer may reserve special retail accounts—e.g., chain stores—for direct selling, while marketing to smaller accounts through wholesalers. Or he may send his own salesmen into certain areas, relying on wholesalers elsewhere. And many a former franchised distributor has lost out to newly established factory sales branches.

Volume and rapid-payment inducements, outright demands by large retailers, competitive pressures, the urge to shave selling costs and bring sales promotion one step nearer the consumer—all these have helped push many manufacturers into direct selling. But the switch, it is worth noting, has not always paid off. In more than a few cases, a manufacturer who had cut out his former wholesalers has been only too glad to backtrack when he found his sales, handling and credit costs mounting unexpectedly.

Not surprisingly, the effects of this revolution in distribution on his income statement are reflected in the "14 Important Ratios" on the opposite page. In 1960, median net profits on net sales were below 2% in 21 of the 24 lines studied. In no fewer than 11 of those lines, the average wholesaler was operating on a margin of less than 1%. In ten of the 24 lines, median net profits on tangible net worth fell below 5%. That, of course, is not a healthy margin even for a recession year—and it is worth noting that in 1959 these ratios were not much higher.

In the lower quartiles, the ratio of current debts to tangible net worth flashes a warning signal in a number of lines. Normally, this should not exceed 100%. Yet in shoes, wines and liquors, and electrical appliances, the lower quartile ratios went over the 115% mark.

The performance of upper-quartile firms, though, shows that wholesalers are far from a dying breed. Among these firms, two out of three reported net profits on net sales of over 2%, and half had profits of more than 10% on tangible net worth. Alert to opportunity and quick to meet new challenges, such concerns can testify that reports of their demise are, in the words of Mark Twain, "greatly exaggerated." —RICHARD SANZO

How the Ratios are Figured

To the economist and the statistician, terms like "median" and "quartile" are everyday working language, no more mysterious than "gross margin" to the wholesaler. But though they involve precious dollars and cents, their precise meaning is foggy at best to many businessmen.

In the ratio table facing this page, three figures appear under each ratio heading for each wholesale line. The center figure, in bold type, is the *median;* the figures immediately above and below the median are, respectively, the *upper* and *lower quartiles.* To understand their use, the executive must also know how they are calculated:

First, year-end financial statements from concerns covered by the survey are analyzed by DUN & BRADSTREET statisticians, who calculate each ratio individually for each concern in the sample.

The individual ratio figures, entered on data-processing cards and segregated by line of business, are then arranged in order of magnitude—the best ratio figure at the top, the weakest at the bottom. The figure which falls just in the middle of this series becomes the *median* for that ratio in that line of business. The figure halfway between the median and the highest term of the series is the *upper quartile;* the term halfway between the median and the bottom of the series is the *lower quartile.*

In a strictly statistical sense, then, each median is the *typical ratio figure* for all the concerns studied in a given wholesale line. The upper and lower quartiles, in turn, typify the experience of the firms in the top half and the bottom half of the sample, respectively.

Line of Business (and Number of Concerns Reporting)	Current assets to current debt	Net profits on net sales	Net profits on tangible net worth	Net profits on net working capital	Net sales to tangible net worth	Net sales to net working capital	Collection period	Net sales to inventory	Fixed assets to tangible net worth	Current debt to tangible net worth	Total debt to tangible net worth	Inventory to net working capital	Current debt to inventory	Funded debts to net working capital
	Times	Per cent	Per cent	Per cent	Times	Times	Days	Times	Per cent	Per cent	Per cent	Per cent	Per cent	Per cent
FOR 24 WHOLESALE LINES—1960 MEDIANS AND QUARTILES														
Automobile Parts and Accessories (208)	5.16	3.30	10.16	13.77	4.71	5.98	31	6.6	5.5	19.0	38.3	64.2	34.4	7.1
	3.11	**1.74**	**6.12**	**7.82**	**3.28**	**4.04**	**37**	**4.7**	**12.0**	**37.5**	**63.9**	**80.7**	**58.7**	**16.9**
	2.13	0.93	3.09	4.16	2.33	2.87	48	3.6	30.5	64.9	102.3	104.1	87.8	30.8
Baked Goods (51)	2.80	3.80	13.54	50.52	5.57	30.78	10	33.2	59.1	15.0	26.1	43.2	118.6	25.1
	1.80	**2.15**	**9.16**	**26.67**	**3.57**	**18.83**	**13**	**24.4**	**77.5**	**22.4**	**41.5**	**70.7**	**157.5**	**78.4**
	1.52	0.52	1.97	8.27	3.03	11.58	22	16.5	104.4	38.1	78.4	94.0	236.2	254.1
Cigars, Cigarettes and Tobacco (90)	3.17	1.03	12.19	16.06	28.38	29.36	13	28.7	5.6	40.2	46.7	56.2	74.3	9.5
	2.09	**0.68**	**7.55**	**8.22**	**14.72**	**18.80**	**18**	**20.5**	**11.2**	**74.4**	**116.0**	**80.6**	**110.0**	**31.6**
	1.67	0.09	1.46	1.55	9.18	11.09	26	16.9	24.1	130.9	247.2	126.4	173.6	54.0
Confectionery (25)	5.53	2.91	8.98	18.22	12.77	14.47	18	18.9	3.9	13.3	16.1	58.9	39.7	3.8
	2.95	**1.02**	**7.29**	**8.55**	**5.94**	**8.04**	**26**	**9.2**	**8.7**	**54.3**	**55.9**	**78.9**	**75.8**	**10.0**
	1.76	0.20	2.15	1.39	4.61	5.29	34	6.8	16.2	73.4	177.3	101.0	102.2	55.8
Drugs and Drug Sundries (78)	3.58	2.01	10.53	12.14	6.69	7.55	24	9.3	5.0	32.9	52.5	71.6	49.5	7.9
	2.73	**1.26**	**7.10**	**7.94**	**5.27**	**5.66**	**35**	**6.4**	**12.3**	**53.2**	**75.1**	**87.6**	**70.2**	**23.2**
	1.87	0.65	3.62	3.85	3.79	4.33	47	4.7	26.1	91.2	120.4	123.0	96.3	41.7
Dry Goods (154)	5.53	2.29	9.61	15.22	5.91	7.25	36	14.9	2.1	21.9	41.7	50.0	44.7	8.6
	2.82	**0.84**	**3.30**	**4.28**	**4.07**	**5.12**	**48**	**5.5**	**5.1**	**48.5**	**68.6**	**78.2**	**69.8**	**16.9**
	1.96	0.31	1.21	1.36	3.03	3.81	61	4.3	11.7	83.5	115.5	110.4	119.4	36.2
Electrical Parts and Supplies (127)	3.75	2.05	9.31	11.55	8.34	8.70	33	8.9	5.3	27.7	47.2	57.2	55.7	10.9
	2.55	**0.96**	**4.30**	**5.60**	**5.69**	**6.17**	**38**	**7.3**	**14.6**	**52.2**	**71.1**	**76.8**	**81.7**	**22.4**
	2.01	0.38	2.18	2.62	3.46	4.59	50	5.1	26.9	79.0	147.3	102.9	121.5	182.1
Fruits and Produce, Fresh (53)	7.32	4.00	17.11	57.98	10.83	23.75	12	123.9	13.8	12.0	47.8	6.7	103.0	15.7
	3.30	**1.21**	**5.87**	**13.33**	**8.92**	**13.97**	**18**	**51.1**	**26.8**	**29.6**	**73.4**	**26.6**	**191.6**	**138.4**
	1.50	0.39	1.90	4.59	1.65	7.54	29	18.3	51.0	50.9	79.3	67.0	527.1	199.0
Furnishings, Men's (33)	6.60	5.73	7.79	17.58	4.64	4.19	31	7.4	1.5	12.1	34.4	47.7	27.1	11.3
	3.34	**0.80**	**3.93**	**4.65**	**3.13**	**3.33**	**57**	**4.2**	**5.7**	**37.4**	**62.4**	**68.6**	**58.4**	**15.3**
	2.23	0.53	1.95	2.10	1.65	2.67	77	2.8	16.9	71.9	135.4	86.1	118.2	37.7
Gasoline, Fuel Oil, and Lubricating Oil (61)	3.49	4.24	14.75	34.30	8.37	16.95	16	35.3	25.8	17.0	29.7	19.6	111.0	11.9
	1.97	**2.67**	**8.97**	**23.01**	**4.53**	**10.89**	**27**	**18.0**	**46.1**	**31.9**	**68.6**	**47.7**	**192.0**	**30.0**
	1.43	1.27	5.63	10.97	2.31	4.74	47	11.9	69.9	65.5	128.6	75.0	339.0	57.4
Groceries (248)	4.15	1.17	11.54	16.01	17.16	20.95	10	15.2	7.3	26.9	63.1	72.5	38.4	15.4
	2.59	**0.59**	**5.04**	**7.27**	**9.69**	**12.18**	**15**	**11.3**	**13.9**	**54.9**	**116.7**	**102.1**	**62.9**	**33.9**
	1.81	0.27	2.67	3.19	6.19	7.44	25	8.2	21.2	98.2	180.7	139.4	86.9	69.7
Hardware (203)	6.86	2.18	6.01	7.15	3.97	5.19	30	5.4	6.7	13.9	45.4	67.1	23.9	13.4
	3.74	**0.99**	**3.14**	**3.87**	**2.75**	**3.46**	**40**	**3.9**	**14.6**	**29.7**	**73.5**	**83.7**	**44.6**	**22.6**
	2.44	0.30	1.36	1.56	2.16	2.58	52	3.2	24.7	56.4	124.9	102.6	69.3	45.5
Hosiery and Underwear (38)	5.67	6.64	16.80	18.40	5.92	6.14	34	7.0	1.4	18.9	11.3	44.1	54.3	7.0
	3.07	**0.14**	**0.81**	**0.84**	**3.41**	**3.43**	**53**	**5.7**	**3.0**	**37.8**	**86.7**	**80.7**	**75.7**	**18.1**
	1.79	0.06	0.18	0.21	2.19	2.51	70	4.9	8.5	94.2	157.2	136.2	118.6	35.8
Household Appliances, Electrical (108)	3.64	1.55	7.56	10.73	8.13	9.38	33	9.7	4.1	28.5	92.4	64.0	58.4	4.5
	2.04	**0.80**	**4.81**	**6.02**	**6.05**	**6.69**	**40**	**7.1**	**7.8**	**82.1**	**116.9**	**90.7**	**100.5**	**19.6**
	1.57	0.27	2.06	2.27	4.32	5.22	52	5.2	21.0	143.3	183.4	144.0	127.1	43.2
Iron and Steel Sheets, Strips, Bars and Plates (71)	4.78	2.22	9.11	16.75	4.34	8.37	29	6.8	9.7	14.9	36.2	68.5	30.9	11.6
	2.85	**1.56**	**5.40**	**7.71**	**3.50**	**4.96**	**36**	**5.1**	**24.5**	**35.9**	**60.9**	**95.1**	**59.0**	**23.8**
	1.88	0.88	2.15	4.26	2.45	3.11	48	4.0	43.0	68.2	88.6	128.6	87.6	31.5
Lumber (94)	5.93	3.21	12.96	15.19	10.72	15.08	24	30.4	4.9	20.1	38.9	44.6	37.9	12.6
	3.00	**0.92**	**4.20**	**6.56**	**5.56**	**5.74**	**37**	**12.3**	**13.1**	**43.9**	**87.2**	**72.6**	**67.1**	**30.7**
	1.72	0.24	2.72	2.35	2.94	3.57	47	5.8	26.4	85.3	157.8	98.3	125.8	53.5
Lumber and Building Materials (111)	5.77	2.73	6.19	14.98	5.25	7.21	25	9.0	12.5	14.9	32.8	52.5	31.8	7.6
	3.29	**0.84**	**4.24**	**5.06**	**3.61**	**5.18**	**40**	**7.0**	**23.1**	**28.4**	**68.4**	**74.3**	**61.2**	**22.4**
	2.08	0.22	1.44	1.89	2.52	3.64	57	5.3	42.2	59.6	105.2	98.3	103.9	46.8
Meat and Poultry (42)	3.45	1.21	14.94	20.39	25.46	42.65	11	45.9	11.8	28.1	36.6	28.4	83.0	15.2
	2.36	**0.75**	**6.48**	**10.59**	**11.87**	**21.01**	**15**	**34.3**	**26.2**	**44.4**	**68.3**	**53.3**	**149.5**	**26.5**
	1.50	0.12	2.91	3.35	6.07	10.00	25	11.5	52.1	98.3	93.3	96.3	284.3	36.7
Paints, Varnishes and Lacquers (33)	7.55	3.54	7.88	10.52	3.83	5.56	34	8.2	9.4	10.9	30.7	53.8	23.9	13.0
	4.26	**2.58**	**5.23**	**7.40**	**2.27**	**3.03**	**46**	**4.7**	**15.9**	**21.6**	**55.5**	**64.4**	**58.3**	**16.6**
	2.33	0.39†	1.61	1.92	1.76	2.55	68	3.7	26.8	53.4	93.2	89.3	80.7	67.7
Paper (131)	3.81	1.86	8.78	11.32	7.15	10.74	28	10.8	5.4	26.8	57.6	59.4	54.7	10.1
	2.75	**1.20**	**6.30**	**7.96**	**5.38**	**6.53**	**35**	**7.7**	**11.2**	**47.3**	**95.6**	**80.3**	**80.3**	**15.2**
	1.79	0.53	2.98	4.09	3.44	4.42	51	6.0	23.1	84.0	131.4	99.9	124.5	32.6
Plumbing and Heating Supplies (156)	6.22	3.13	8.49	11.11	4.98	6.03	35	7.7	6.4	16.3	33.9	55.8	30.4	6.9
	4.09	**1.42**	**4.87**	**5.38**	**3.22**	**4.11**	**45**	**5.4**	**15.5**	**28.6**	**63.6**	**74.2**	**53.6**	**14.1**
	2.37	0.18	0.55	0.75	2.16	2.91	50	4.2	23.6	62.5	105.3	100.7	85.1	34.9
Shoes, Men's, Women's and Children's (60)	3.58	2.99	9.18	9.42	5.56	5.61	58	8.0	1.4	31.1	60.1	44.9	61.0	18.4
	2.44	**1.35**	**5.46**	**5.49**	**3.50**	**3.99**	**73**	**5.9**	**4.5**	**60.3**	**80.1**	**77.8**	**140.1**	**21.7**
	1.74	0.84	3.00	3.31	2.48	2.88	103	4.4	13.2	115.4	152.3	104.2	182.8	34.1
Wines and Liquors (53)	3.53	2.31	15.28	21.44	8.55	15.54	25	17.4	5.5	24.4	51.3	53.7	66.2	7.4
	1.88	**1.45**	**8.01**	**12.65**	**6.02**	**9.34**	**36**	**11.0**	**12.5**	**61.4**	**108.2**	**96.4**	**98.1**	**10.2**
	1.48	0.70	3.45	4.75	3.77	5.26	52	6.8	30.3	132.7	152.1	167.2	158.8	76.2
Womenswear, Coats, Suits and Dresses (31)	3.43	4.86	26.56	36.49	5.46	8.96	13	7.3	3.1	35.4	34.8	26.1	81.0	5.0
	2.60	**1.54**	**4.26**	**5.48**	**4.37**	**6.49**	**40**	**6.2**	**8.7**	**53.9**	**70.8**	**45.6**	**143.7**	**22.7**
	1.99	0.16	1.18	1.46	2.76	3.55	42	4.8	23.2	77.9	100.4	109.0	229.1	60.7

† Loss

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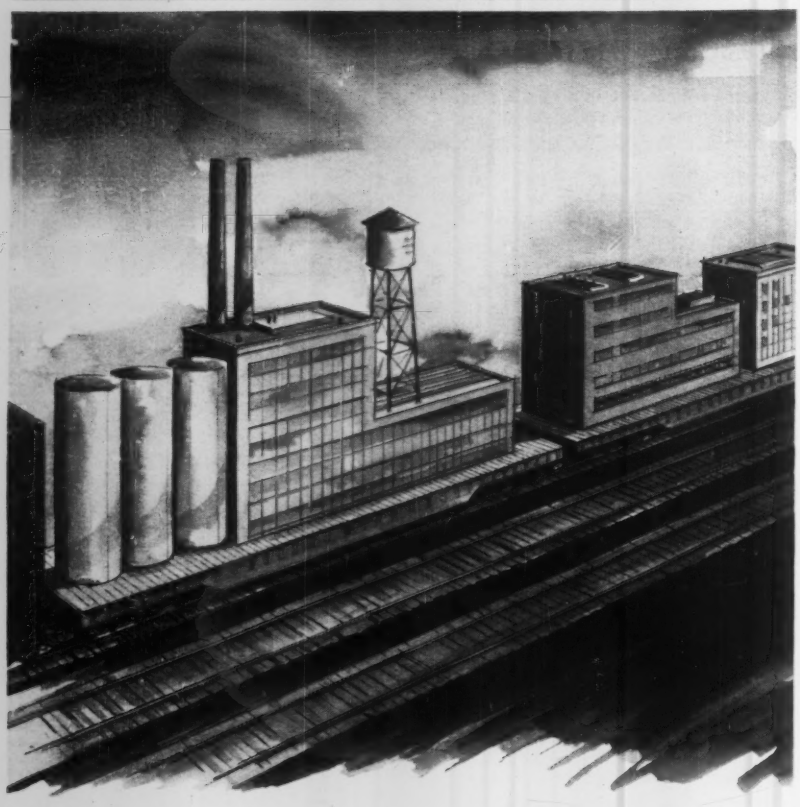

Muirson Label Company first selected Peoria as a profit-making location in 1930. Expansion required a new plant in 1961 — and again Muirson chose Peoria, building in the new Pioneer Industrial Park to serve label and printing customers throughout the U.S., Canada, Mexico and overseas.

Nutrena Mills, Inc. finds a double advantage in a Central Illinois location. The by-products of nearby industries provide ingredients for livestock feeds, easily distributed from the Peoria "highway hub" in the center of one of the world's great agricultural regions.

Chris Hoerr & Son Co. recently occupied a huge, modern food warehouse built in East Peoria, Ill. This company reports that location midway between Chicago and St. Louis means rapid availability of goods, brought in quickly via excellent rail and truck facilities.

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Mark B. Townsend
Area Development Director

CENTRAL ILLINOIS LIGHT COMPANY
300 Liberty Street PEORIA, ILLINOIS

Definitions of Terms

Collection Period—The number of days that the total of trade accounts and notes receivable (including assigned accounts and discounted notes, if any), less reserves for bad debts, represents when compared with the annual net credit sales. Formula—divide the annual net credit sales by 365 days to obtain the average credit sales per day. Then divide the total of accounts and notes receivable (plus any discounted notes receivable) by the average credit sales per day to obtain the average collection period.

Current Assets—Total of cash, accounts and notes receivable for the sales of merchandise in regular trade quarters, less any reserves for bad debts, advances on merchandise, inventory less any reserves, listed securities when not in excess of market, state and municipal bonds not in excess of market, and United States Government securities.

Current Debt—Total of all liabilities due within one year from statement date including current payments on serial notes, mortgages, debentures, or other funded debts. This item also includes current reserves such as gross reserves for Federal income and excess profit taxes, reserves for contingencies set up for specific purposes but does not include reserves for depreciation.

Fixed Assets—The sum of the cost value of land and the depreciated book values of buildings, leasehold improvements, fixtures, furniture, machinery, tools, and equipment.

Funded Debt—Mortgages, bonds, debentures, gold notes, serial notes, or other obligations with maturity of more than one year from the statement date.

Inventory—The sum of raw material, material in process, and finished merchandise. It does not include supplies.

Net Profits—Profit after full depreciation on buildings, machinery, equipment, furniture, and other assets of a fixed nature; after reserves for Federal income and excess profit taxes; after reduction in the value of inventory to cost or market, whichever is lower; after charge-offs for bad debts; after miscellaneous reserves and adjustments; but before dividends or withdrawals.

Net Sales—The dollar volume of business transacted for 365 days net after deductions for returns, allowances, and discounts from gross sales.

Net Sales to Inventory—The quotient obtained by dividing the annual net sales by the statement inventory. This quotient does not represent the actual physical turnover, which would be determined by reducing the annual net sales to the cost of goods sold and then dividing the resulting figure by the statement inventory.

Net Working Capital—The excess of the current assets over the current debt.

Tangible Net Worth—The sum of all outstanding preferred or preference stocks (if any) and outstanding common stocks, surplus, and undivided profits, less any intangible items in the assets, such as goodwill, trademarks, patents, copyrights, leaseholds, mailing list, treasury stock, organization expenses, and underwriting discounts and expenses.

Turnover of Tangible Net Worth—The quotient obtained by dividing annual net sales by tangible net worth.

Turnover of Net Working Capital—The quotient obtained by dividing annual net sales by net working capital.

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THIS is the time of the year when millions of U.S. families with teen-aged children in the last year of high school are mulling over the question of which colleges their sons and daughters should apply to for admission next year.

An executive used to making decisions may think this is a relatively simple question. Not these days, though. With the present overcrowding of the colleges, you may well find that you can obtain admission for your boy or girl only to a school you know relatively little about—one, in fact, that you may not even have heard of before.

So how *do* you judge a college? There cannot be a single answer. It has to be a blend of subjective factors, plus some objective ones. Not long ago Edward D. Eddy Jr., president of Chatham College and a prominent analyst of U.S. education, put together a ten-point system to help laymen judge a college. Naturally, he says, parents of prospective college students should do their best to visit the college their children want to attend. And once there, they should ask

at least these six of Dr. Eddy's suggested questions:

What is the average teaching load of the faculty? One Eastern college, using itself as a model, notes that its average faculty member teaches a 12-hour load a week and the school itself has a ratio of 12.4 students to each faculty member. Particular point to watch: it can be a bad sign if too many assistant faculty members are teaching freshman and sophomore classes.

What has been the faculty turnover in the last five years? A high rate may well point to a college that cannot keep its best staff members.

What books and magazines are in greatest demand in the campus bookstores? The answer to this is likely to be more meaningful than one college's claim that it is better than another because it has 5,000 more books in its library. Many colleges consider it good if $50 in books are purchased in each working day.

What is the record of graduate school acceptances? This is a solid guide to the college's academic standards. The college cited earlier notes that a recent graduating class placed 20.4% of its graduates in graduate schools with another 22.3% going to professional schools.

Is there a clearly defined core of knowledge that the college expects in the four years of study? If the college does not know what it is trying to do a student would probably be wasting his time going there.

What is the extent and nature of faculty activities beyond teaching? If they are doing their own research as well as teaching, then they are probably more in tune with the times. But watch out for too much of this; if faculty members are too busily engaged in research, they may have too little time left over for teaching.

One final warning from a college administrator: "Just about every college says now it wants only the 'excellent' student. That's a lot of flim-flam. Plenty of them are quite eager to get the average students too."

• • •

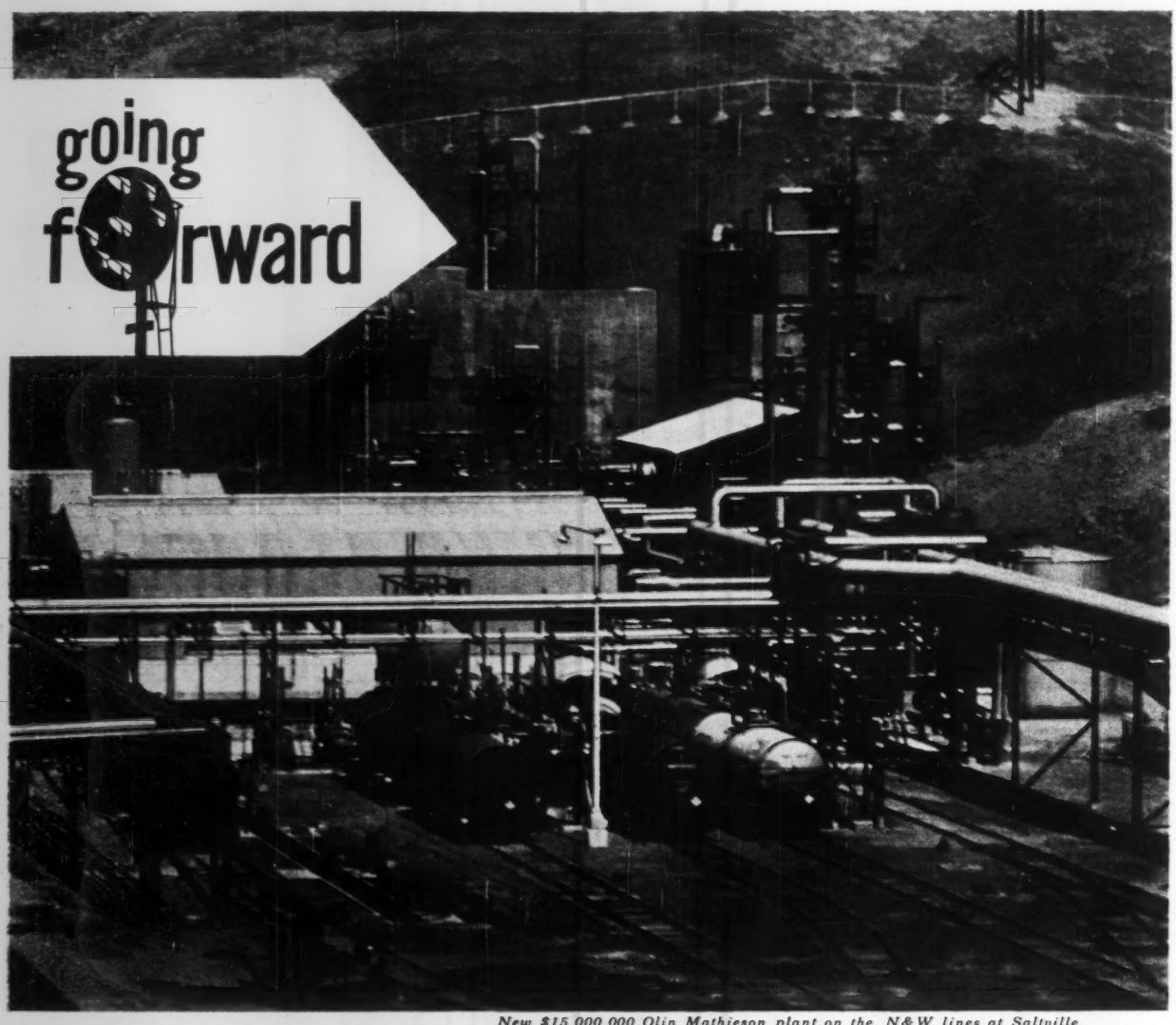
Government bonds, which never have been notable money-makers in a private portfolio, do offer one big advantage that many businessmen don't know about. The advantage does not directly benefit the businessman who buys them. But it does make a differ-

ence in his estate, and this can be important — especially to owners of businesses.

The advantage: many of the different types of government bonds can be used to pay estate taxes, and if they are, the bonds will be valued at par by the Internal Revenue Service no matter how much they cost the person who leaves the estate.

These days, many U.S. bonds are selling below par. The conclusion is obvious. This is a time when businessmen planning their estates should look to the potential estate-tax savings that are available.

The IRS rules exempt from taxes estates up to a value of $60,000. But beyond that, estate taxes rise sharply. The rates run from 18% on estates of $90,000 to more than 26% on estates of $150,000. A man who esti-



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mates that taxes on his estate will run to $50,000 can buy Treasury bonds with a par value of $50,000. These days he may pay a market rate of as little as 87—meaning that he gets them for $43,500. When it comes time for his estate to be taxed, the gain of $6,500 in the value of the bonds is automatic and is not itself taxable.

• • •

If this winter turns out to be anywhere as near as chilly as last, those home-heating bills will be steep again. But a new device developed by giant Jersey Standard's affiliate, Esso Research & Engineering, promises to cut household fuel-oil bills.

Esso Research's men designed the new "magic grid" attachment for oil burners when they discovered a couple of years ago that the flame pattern produced in almost all high-pressure oil heaters leads to wasteful and inefficient use of fuel oil. The grid they have designed changes that flame pattern. The result: tests made last winter in thirty homes in the New York City area produced savings averaging 20% in fuel-oil bills. That represents $53.50 per home.

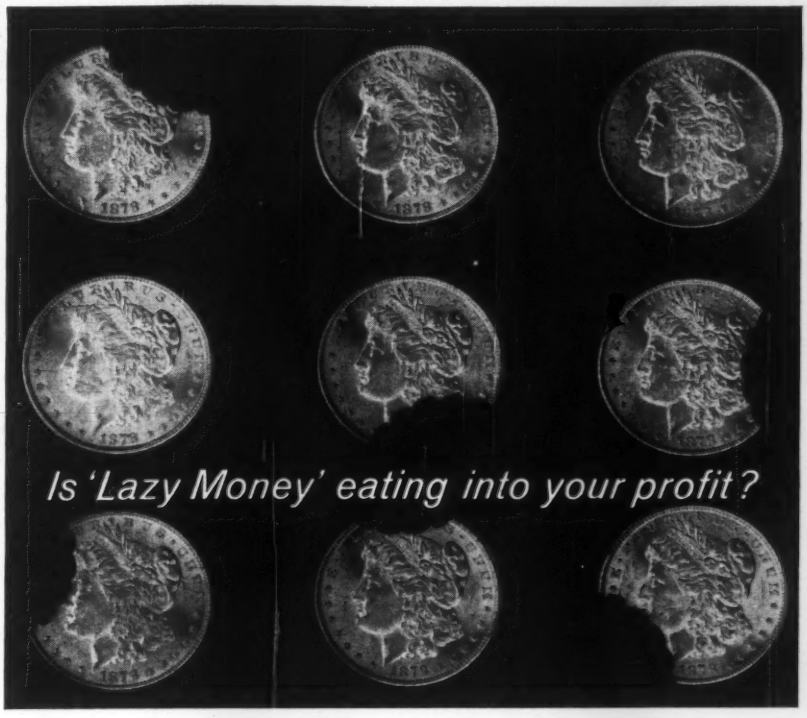
"We couldn't have picked a more ideal time for the test," says an Esso man. "Temperatures in the area were among the lowest in the last eighty years." The new device costs $54.60 ($10 less for home owners with Esso heating service contracts). And Esso looks to a big market; about 85% of the nation's 10 million household oil heaters are of the conventional high-pressure type.

• • •

A new one for the bookshelf runs to 2 720 pages and costs a fraction less than 1.75 cents a page. It is the first new Merriam-Webster unabridged dictionary to be published for 27 years.

"This is the first dictionary that has specifically been designed to be read and enjoyed by businessmen, housewives and students, as well as scholars," says G.&C. Merriam Co.'s President Gordon J. Gallan.

There may not be many belly-laughs or even chuckles among all those pages. But there are definitions, says Gallan, for "450,000 words, including 100,000 new words and new meanings." —J.M.



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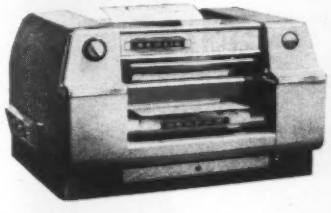

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Inside Industry

▶ *Utilities' lowliest men—the meter readers—make way for new machines.*

A few weeks ago, an English water meter reader named Charlie Brown was fired for faking his meter reading for nothing less than the past seven years. Admittedly an extreme example, Charlie Brown's vicarious career illustrates one of the major problems of the electric, gas and water utilities in obtaining accurate readings of the meters which bring in their revenues.

Still other metering problems faced by the utilities and their army of meter readers include the old standbys of vandalism, vicious dogs and a locked, empty home. Not unnaturally, all these minor headaches add up to major costs for the utilities. On a nationwide basis, it costs an average $1.11 a year to read each meter—and there are well over 100 million electric, gas and water meters in the U.S. What is more, the cost has been rising inexorably with every new year as wages and transportation costs spiral upward.

The utilities compromise

So the public utilities have been trying to cut down on this mounting expense for decades. Early in World War II, for example, when male meter readers were scarce as gasoline stamps, all sorts of schemes were proposed. The simplest was to get the customer to read the meter himself and mail the information in on a special post card. But that was the least reliable way, and the most foolproof system was too costly. In the end, the utilities compromised. They switched to reading meters every other month, and if it were not for the objections of their customers they would read them only once a year.

Now interest in improving meter reading is at a peak, primarily because so many new technical approaches are under development. The variety of the proposed systems is astonishing, even to some of the utility men.

Not all of them, it must be noted, are practical. As one example, an engineer suggested that a tiny TV camera be attached to each meter, connected by telephone line to a centrally located battery of readers. The utilities quickly rejected this scheme because it would make meter-reading costs even higher than they are now.

Others, though, have at least the merit of simplicity. One company proposed painting the meter dials with fluorescent dyes. The meter reading, the firm reasoned, could then be transferred to a sensitized postcard held in front of the meter dial by the customer.

Still another unusual proposal was to build a tiny, short-range radio into each meter. The transmissions would only be picked up by a utility truck outside filled with receiving and recording gear. Like the other systems, though, this one has evoked little response from the utility men.

One European concept, in contrast, attracted a great deal of attention for a time. Under this system, each meter reader would sally forth with a portable computer. By dialing in the meter reading, the operator would instantly create a bill to be handed to the customer on the spot. As attractive as this notion seems, it has one major drawback. Simply put, U. S. power rates are so much more complicated than European rates that any computer capable of figuring them out would be either too expensive or too big to carry around.

Despite the long history of technical frustration in this field, five companies are moving ahead with meter-reading systems that are making the utility men sit up and take notice. General Electric Co., the leading manufacturer of electric power meters, proposes a unique arrangement in which each utility would establish a private communications network to all its meters. Well aware of the high cost of this proposal, GE feels that the cost would be balanced out by the fact that very little modification of meters now in the field would be needed.

Totting up costs

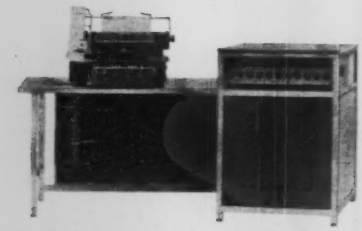
Just how much would the new system cost? Al Hammett, manager of product planning for GE's Meter Department in Somersworth, N.H., estimates the installation price at roughly $35 to $50 a meter. At that price, GE admits, the system is not economically justifiable—unless the utilities can put profitable added functions on the network.

GE feels, however, that it can. It just so happens that the utilities have long been anxious to gain greater control over their operations. Consider just one phase of their operations. Many utilities offer electricity and gas to their customers at bargain rates on an "interruptible" basis. If the total load on the utility approaches its peak capacity, the power company has the right to ask these bargain-hunting customers to either reduce their demand or get off the line altogether. At present, though, the utilities have no way of telling if interruptible-load customers comply with their telephone requests to cut demand. With the direct meter connection of the GE system, however, the utility would be able to obtain that vital information.

Added to that, the meter connection would enable the utilities to offer special bargain "night" rates to more consumers. The night rates would apply to space heating and appliances. A housewife, for instance, could load her combination washer and gas dryer

How to automate an avocado

(and save $15,000 a year)



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during the day. Promptly at 6 p.m., when the off-hour rates go into effect, the utility then could turn on the appliance remotely.

A different approach

Transitel International Corp. of Paramus, N.J. offers a competing system with an entirely different approach. Under the Transitel proposal, existing telephone lines would bring the meter reading to the utilities' central billing offices. The meters, however, would have to be modified more extensively.

Abraham Brothman, manager of research & development for Transitel (which is a joint venture of the Baldwin-Lima-Hamilton Corp. and Industrial Process Engineers), claims that these modification charges are not too great, particularly if they can be done in the field. For two meters, one for gas and the other for electricity, the charge would be about $12. In apartment houses, where all the meters are usually grouped together in the basement, the charge per meter is much less, about $3 to $4 apiece. Transitel, incidentally, has developed a transmitter that can accommodate as many as 200 meters in a single, large building.

Transitel already has gone far beyond the laboratory stage. Early next year two utilities are going to make extensive tests of the system. In Canada, Toronto's Consumers Gas Co. will work through the Bell System of Canada to monitor service to interruptible-load industrial customers. And in the U.S. the General Telephone Co. of Michigan will test the residential telemetering system in conjunction with the power company in one of the towns along the lower Peninsula.

As Brothman sees it, the system can perform other functions in addition to automatic meter reading and control. Subscription-TV, brought in on telephone lines, could be billed through the meter transmitter. And once the system proves itself, such other functions as burglar alarms or a taxi-paging service might be added on.

There is just one obvious disadvantage to the Transitel system—roughly 20% of U.S. homes are without telephone service. But this figure is dropping steadily.

General Electric and Transitel are not alone in studying this potentially lucrative business. In fact, the Ripley

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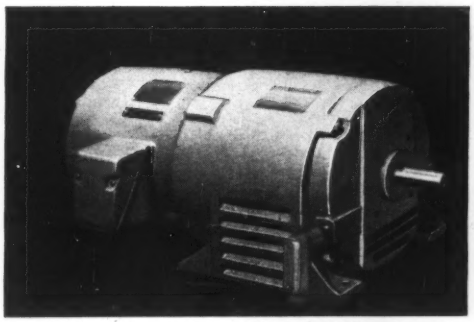

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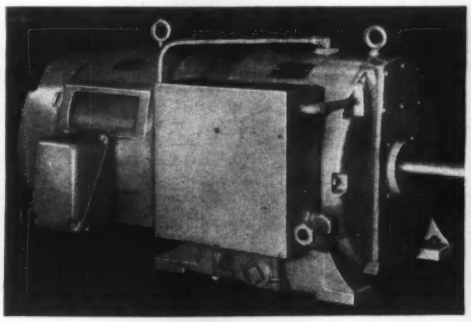
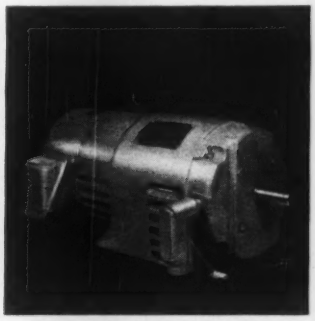


WATER COOLED, 25 to 150 HP



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Co. of Middletown, Conn. is offering a system which is simpler than theirs. Under Ripley's proposal, each meter is modified for plug-in reading from the outside by an automatic device that records data on punched-paper tape. The meter readers would simply carry the recording device around with them on their rounds.

The Ripley system would eliminate possible errors in meter reading as well as doing away with the inevitable cost of transcribing the readings for computer programming. However, it would not eliminate the much higher cost of maintaining a corps of meter readers, though it would lower expenses by raising the number of meters that could be read in any single day.

Two of the manufacturers of optical scanners are promoting meter-reading systems that compete with Ripley's approach. Their systems are based on the "mark-sensing" feature that can be added to machines that read. Instead of writing down their readings in numbers, the meter readers simply make pencil marks in the appropriate boxes which are printed on a special ticket that has been punched beforehand with the customer's account number and last meter reading.

Automatic deduction

At the end of the day, all the tickets are then fed into the utility's scanner. The machine automatically interprets the pencil marks, converts them into numbers, then feeds them and the previous reading into a computer. The computer quickly figures out the charges and makes up the bill.

International Business Machines Corp. has already sold a few utilities on this meter-reading transcription system, and has just made the first installation at Pennsylvania Power & Light Co., a substantial ($145 million annual sales) utility based in Allentown. IBM charges an extra $5,950 for the mark-sensing feature in addition to $120,300 for the scanner. Farrington Manufacturing Corp. claims that it is close to receiving orders from several utilities for its "mark-scanning" system, which is similar to that of IBM. Farrington charges $7,500 for the feature, over the basic price of $79,030 for the scanner.

The new IBM installation at Penn Power replaces an earlier IBM mark-

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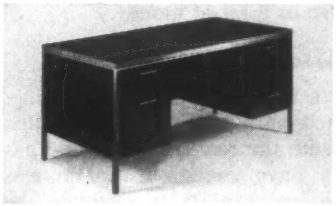
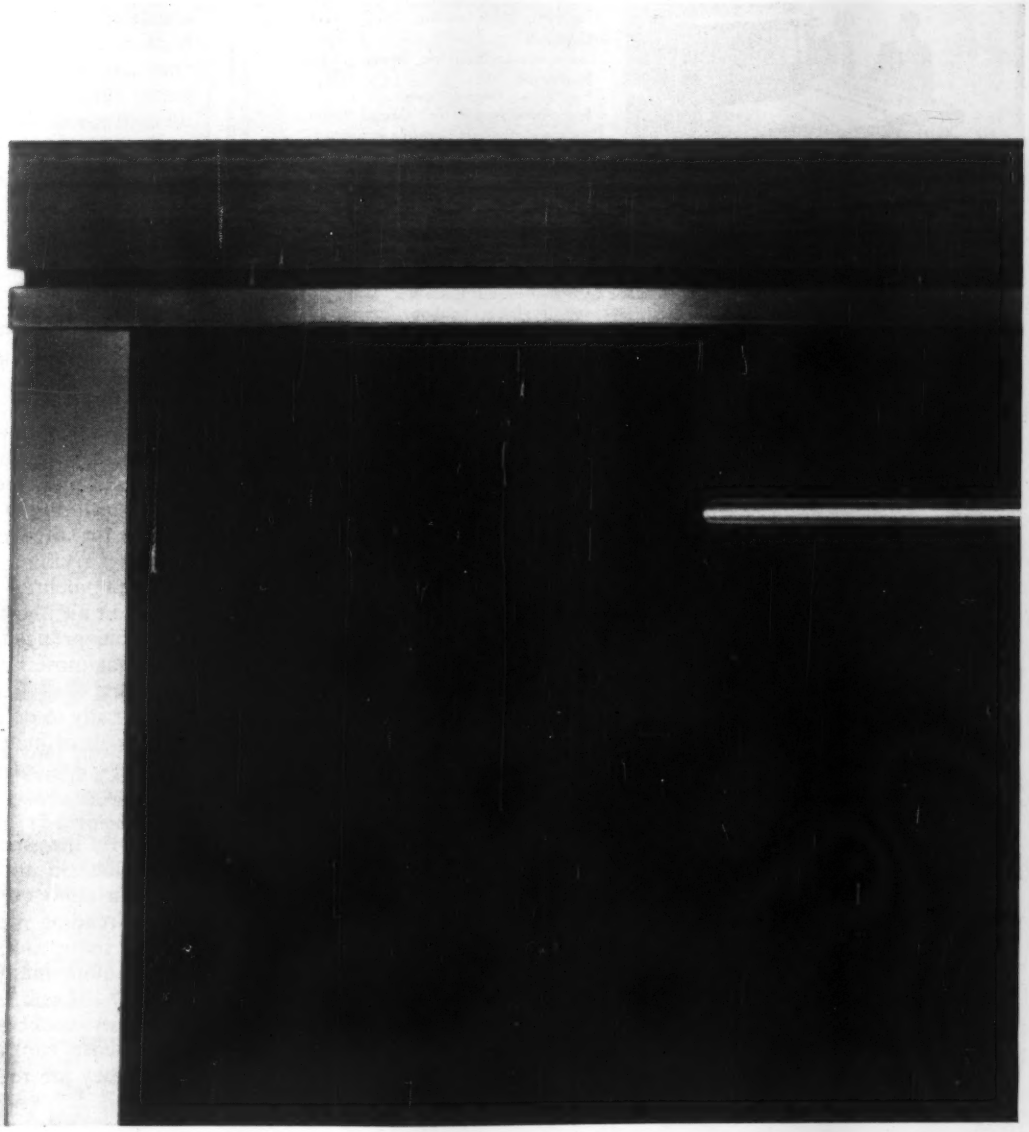


CORRY JAMESTOWN



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sensing system in use for five years. "The cost savings," notes Controller Robert R. Fortune, "will come from the direct tie to our computers. They will calculate the probable range within which the new meter reading should fall and print it on meter tickets before they are handed out each morning to the meter readers. This means our readers will no longer have to figure out the 'reasonableness' of their readings on the spot. Eventually, this one little change in procedure will save us a lot of money."

Benefits for all

Interest in improved meter reading, as noted earlier, is at a peak just now. Both the electric power and gas utilities have organized committees of technical experts to evaluate the various systems. Apparently this "old chestnut" (patents in this area run back to 1900) is finally going to take root and grow. If it does, improved meter reading could offer benefits to all concerned.

For one thing, the nation's utilities could cut their $150-million-a-year meter-reading expenses and after that reduce their heavy capital investment in peak capacity.

Too, any system utilizing the telephone lines could bring in added revenues of approximately 50 cents per meter per year (up to a total of $65 million in all) for the telephone companies.

Industry and the consuming public, for their part, might eventually see lower gas and electric rates. Not only that, but industry itself would receive orders for anywhere from $500 million to $1 billion worth of telemetering equipment.

All in all, the new systems add up to a four-pronged economic advance, one that most manufacturers will be watching closely. For the utilities now seem ready to do something about the high costs of meter reading, and for a wide variety of manufacturers this awareness could well mean solid profits.

But is that merely an aimless assumption? In other words, is the new concentration on cutting the costs of meter reading merely another one of those industrial developments that will require many years to turn into reality? "Look," notes one power company spokesman, "utilities must watch costs carefully, so this is something they are ready to do now."

—MELVIN MANDELL

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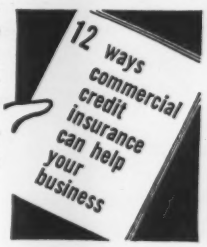

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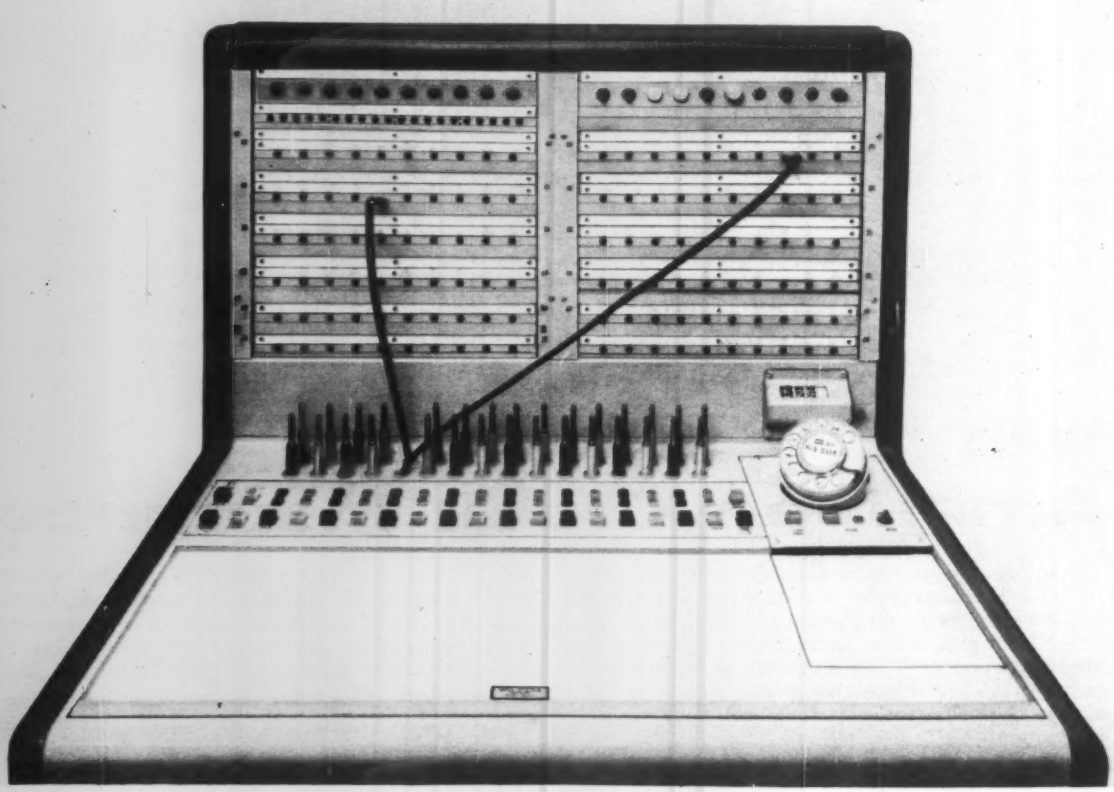

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Sales & Distribution

- *Sudden wealth in electronics*
- *Dresser ousts its drummers*
- *Traveling man's new friends*

ELECTRONICS is practically a synonym for glamor in industry. The name almost implies hordes of scientists busily creating a steady flood of new products, each one of them crammed with more capabilities than the last, and all of them raking in fat profits.

Aside from some of its current woes (DUN'S REVIEW, *September*), though, electronics has another unglamorous, down-to-earth side—specifically, the point where the electronics distributors fit into the business, functioning as middlemen between maker and user. And in the mercurial world of electronics, these middlemen are growing apace.

Sudden wealth is a substantial change for most of them. Many are old hands in the business who started their distribution organizations back in the days of the battery-powered cat's-whisker radio, and spent decades serving the needs of radio hobbyists, an erratic and often unfruitful market that frequently left them showing little profit.

Shift to industry

Now they have a fat new market in hi-fi equipment for the hobbyists. But much more important is their market in industry. This has grown up in the last few years as electronic controls have been added to product after product in hundreds of different lines of industry.

More than from just the sheer growth of the whole electronics business, the distributors benefit from increasing standardization in the manufacture of electronic components. This means that equipment makers who use electronic components need far fewer "custom-built" components and use many more that simply come off the shelf.

How big is the distributors' business? It breaks down this way. Last year's total sales of electronic components and equipment ran to about $10 billion. Of that, the makers of electronic components contributed about $3.6 billion. And of that volume, the amount that passed through the hands of the electronic components distributors came to about $1.3 billion.

A sizable market, certainly. But scores of companies share the business, and only a few big ones stand out. Some live largely by mail orders. Some are highly specialized operations, handling only a few basic lines of fast-selling equipment. Others with broad lines of equipment shoot mainly for the industrial market. It is this group that has been growing fastest lately.

Among these, one of the biggest is Federated Purchaser, Inc., which operates out of headquarters in New Jersey and has seven other branches around the country. Its sales have jumped from $2.5 million five years ago to a rate of about $9 million this year. Growth, yes—but not glamor. Federated's plants, like those of others in the business, are crowded not with scientists but with scurrying stock clerks, not with shiny machines but with row upon row of shelves stacked high with stock.

Close to three quarters of Federated's business is with industrial companies. Federated buys from some 500 different suppliers, turns over its stock from three-and-a-half to four times a year. It buys from manufacturers like RCA and Western Electric, but it also sells to the same companies from time to time.

Therein lies the justification for the whole electronics distribution business. It is often a good deal easier for an electronic equipment maker to buy the components he needs from a distributor than to go directly to the component manufacturers. He gets one central source of supply, one bill, writes one check, and thus saves large amounts of time, effort and costs. And, as Federated's President Max Epstein likes to point out, the same often goes for deals between different divisions of the one company.

"The trick in this business," says Epstein, "is to know where to locate your warehouses." Three of Federated's are in New Jersey, two near Los Angeles, two in Pennsylvania. The newest is at Red Bank, N.J. near the expanding operations of Bell Telephone Laboratories and the Army's Fort Monmouth communications center, which are attracting many smaller electronics companies to the area. It is these that Federated hopes to serve.

Extra ingredient

Aside from successful site selection, making money in the business calls for careful product selection—and some luck. Innovations spill so fast from the electronic component makers' plants that it is often difficult for a distributor to pick the ones that will not be made obsolete and unsalable a month hence. Says Epstein: "We've made some mistakes. Everybody's bound to. But it teaches us that we've just got to stay fast on our feet."

There are, though, some mavericks in the electronics distribution business who make their money out of other people's bad selection and bad luck, and their own knowledge of the electronic components market.

One of these is Astrex, Inc., a distribution organization that makes much of its money by buying up used electronic equipment and reselling it. Its biggest source of supply is com-

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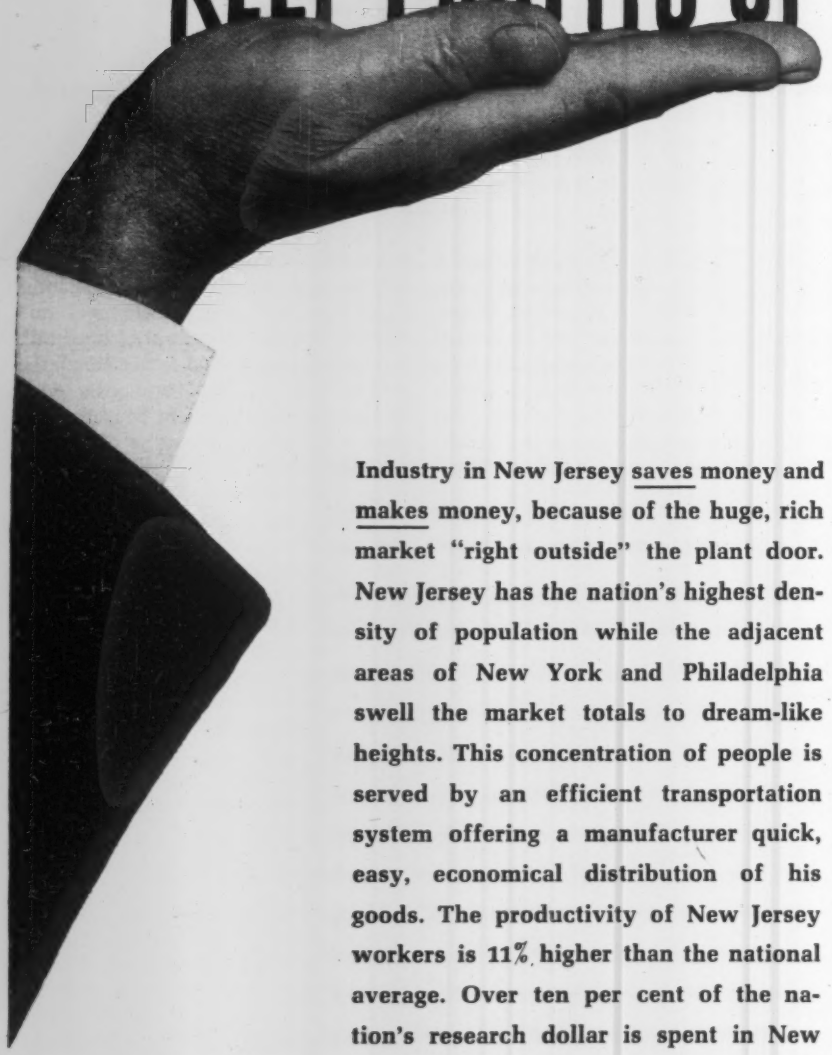

Industry in New Jersey saves money and makes money, because of the huge, rich market "right outside" the plant door. New Jersey has the nation's highest density of population while the adjacent areas of New York and Philadelphia swell the market totals to dream-like heights. This concentration of people is served by an efficient transportation system offering a manufacturer quick, easy, economical distribution of his goods. The productivity of New Jersey workers is 11% higher than the national average. Over ten per cent of the nation's research dollar is spent in New Jersey. These reasons, plus many others, account for the fact that industry succeeds in New Jersey — at the Crossroads of the East.

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PUBLIC SERVICE ELECTRIC AND GAS CO.

panies in the defense industry. The rate at which electronic equipment is made obsolete by new products is very high among these companies. Moreover, millions of dollars worth of electronic equipment and components are put up for sale each year by companies that have lost their defense contracts and can find no other use for the equipment.

Astrex keeps watch for these terminations and watches, too, for companies that are searching for good deals on relatively new electronic equipment. It buys the unwanted components, tests them and resells them to other manufacturers.

Even the scavengers, it seems, can make money in electronics.

No More Drummers?

"The day of the drummer is dead," says Charles Kuhn, president of Dresser Manufacturing Co., a subsidiary of Dresser Industries. "I don't believe that super-salesmen are any good for business. Every salesman needs to be executive material, a potential marketing manager."

Kuhn, a marketing man himself, has lately instituted a system of rating and paying his company's sales force. It does not exactly discriminate against the man who can rack up a high volume of sales, but it does put a new premium on the salesman whose concept of his job is a good deal broader.

To this end, Dresser Manufacturing now pays its salesmen a merit bonus in addition to base pay and commissions. "The merit bonus," says Kuhn, "rewards a salesman for his effort and his methods, without regard to his sales volume."

But how does management judge effort and methods? This is the tricky part. To guide the judgment, Kuhn has drawn up a list of 25 searching questions. They require the salesman himself, and his managers, to put quantitative values on such things as his planning and control of his sales territory, his creativeness and persistence, his relationships with fellow Dresser salesmen, and even his capacity for handling his own financial affairs. "You usually find," notes Kuhn, "that a man who's persistently long overdue in filing his expense accounts has got his own financial affairs in a mess. And that's one good indication that he shouldn't ever have a part in handling a company's finances."

A cynic would say such a rating

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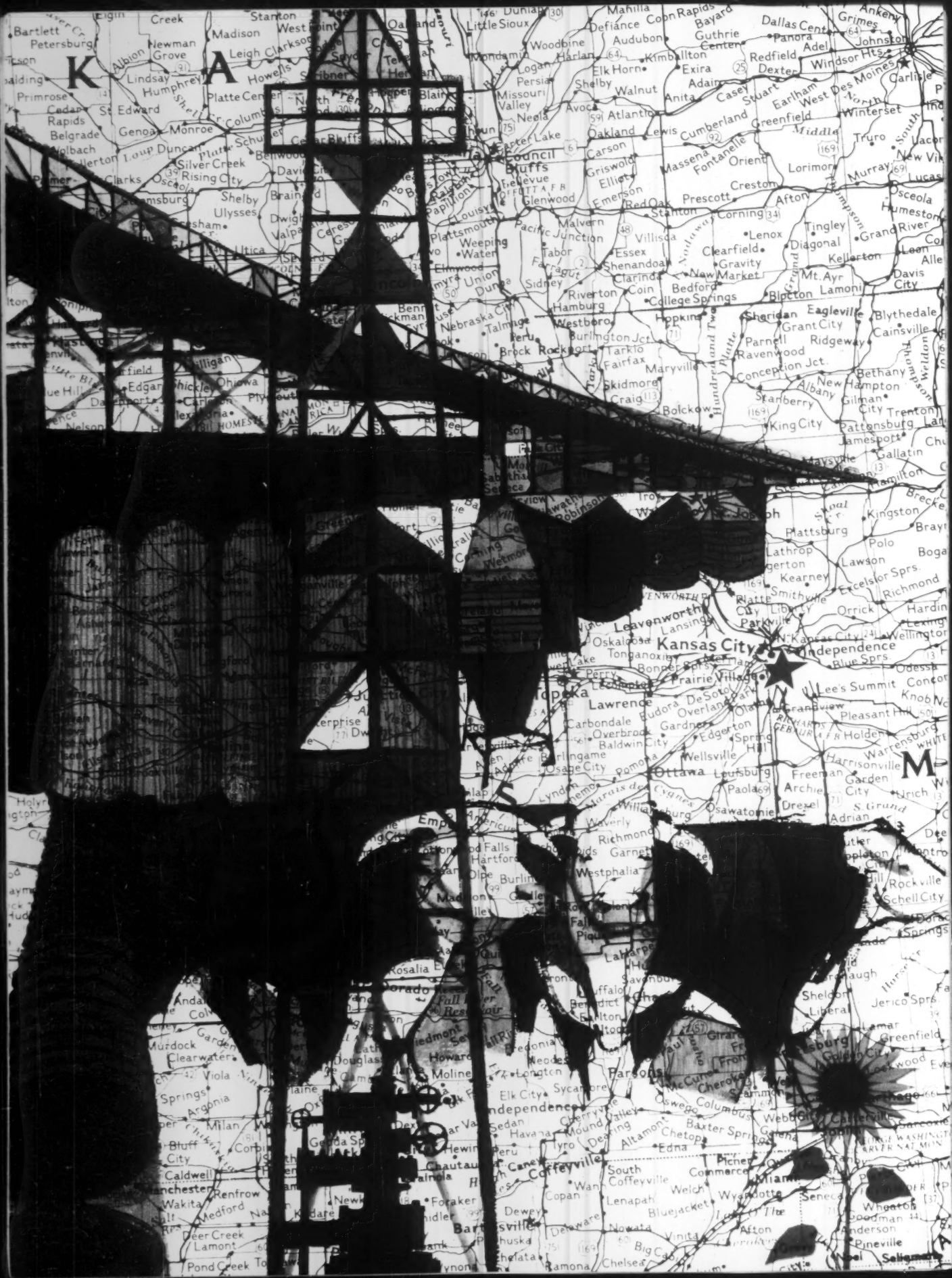
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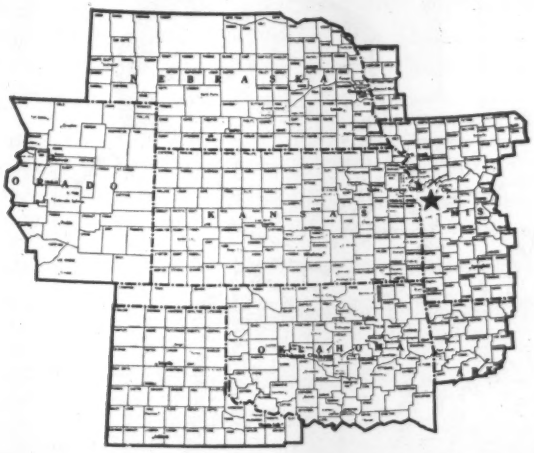

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One of a series depicting market areas served by Inland · Art by Don Neske

And today, Inland feeds steel and more steel into the ever-hungry maw of this amazingly expanding territory.

To the thousands of businessmen and industrialists throughout the territory, Inland is an old friend—a name as familiar as one's next-door neighbor. For Inland has been *here* for all these many years—growing as the territory's industries developed—contributing its knowledge and experience—sharing in the life of the territory.

Now . . . Inland experience—bred, developed and tested in the very states which make up this vast territory—is at the service of every manufacturer. For Inland is more than a name—more than a source of steel. Inland is a living part of each of these states. Their growth is Inland's growth. Their future is Inland's, too.

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system could never work. The salesman would give himself a 100% excellent rating, and when his superiors showed him their more realistic appraisal the only result would be long and pointless bickering.

"No," says Kuhn. "Only the drummers, the super-salesmen, would be stupid enough to rate themselves at 100%. The men with management orientation don't do that. And we have got rid of the drummers among our sales staff."

Dresser's merit bonus amounts to a maximum of 25% of a salesman's base pay. But hardly anyone ever rates the maximum. Thus, a salesman whose base pay is $6,000 may get a merit bonus of 75% of $1,500—if he scores 75 out of a possible 100 in the merit rating test.

How is the new scheme working? "Well," says Kuhn, "sales of Dresser Manufacturing's principal product—pipeline couplings—are up even though the drummers among our old sales force are out. Maybe I should say they are up *because* the drummers have gone. We have a much more effective sales force now, because they are men who are far more capable of managing themselves."

The Salesman's Friend

Even the meekest traveling salesman is armed these days with an array of expensive and useful aids—film strips, slides, taped recordings—that help him put over his spiel as he moves from city to city making his presentations. But they can often present him with one big problem: the equipment that goes with them is usually cumbersome.

If he lugs the screens, projectors and tape recorders he needs from city to city, he spends half his time staggering under the weight of the equipment. If he takes a chance on finding the gear he needs at each stop, he may well wind up having to make his presentations on a series of odd-sized screens, temperamental tape recorders and erratic projectors.

Now, though, a motel chain called Holiday Inns of America and equipment maker TelePrompTer Corp. have got together to set up a network of "communications centers" across the country. Their deal calls for TelePrompTer to design and install these centers in many of the chain's motels. The centers will each contain a standardized set of projectors, tape record-

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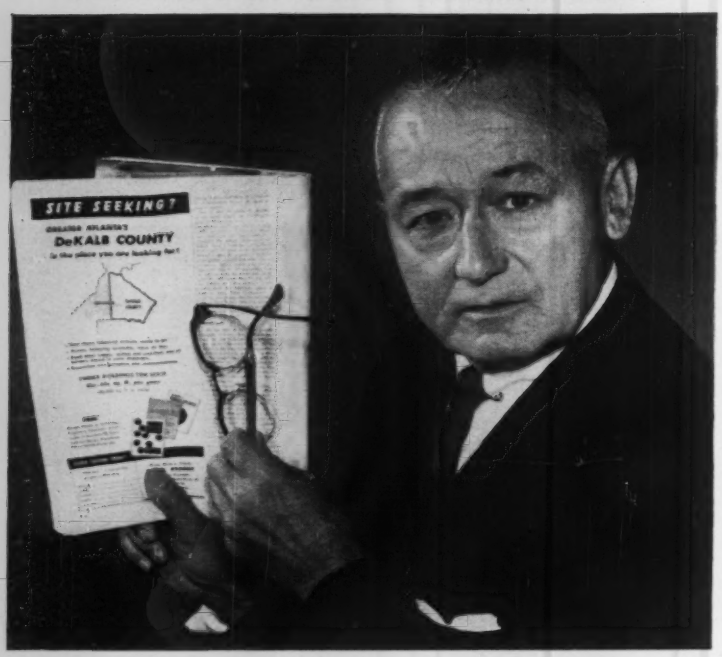

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ers, amplifiers, screens and closed-circuit television facilities.

They will go first into 25 key cities, and each motel's package will cost around $10,000. "In the next six to twelve months," says TelePrompTer's President Irving B. Kahn, "we may add as many as 100 additional centers to the network."

If the scheme means new sales for TelePrompTer, it also means more potential for Holiday Inns. Like all motel operations, it is anxious to grab all it can of the rewarding business convention trade.

How to Please a Woman

When business moves to suburban shopping centers, it has to make sure it pleases women; they are, after all, business' prime customers out in the suburbs. That is the idea behind B. F. Goodrich Co.'s latest venture into retailing. It is setting up a string of glossy garages graced with the title of "car care centers." Each is located alongside a major department store.

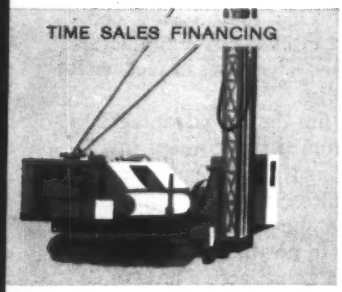
From these centers Goodrich sells tires and some types of automobile accessories. It also provides wheel and brake checking services. Goodrich is by no means the only—or even the first—company to set up such suburban shopping center outlets for its tires. But it has gone as far as any to put a shine on the centers.

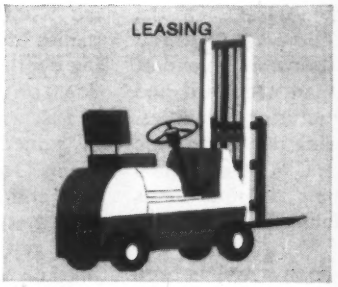
Its latest, set up beside the John Wannamaker store in Wilmington, Delaware, has large picture windows, is fully air conditioned. A team of "valets" who handle the cars are supposed to keep their uniforms so spotlessly white that they might be mistaken for laboratory technicians.

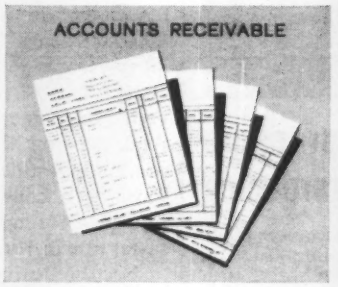
Goodrich's new centers, which now number five and will be expanded to eight by the end of the year, are set beside department stores so that they might not only draw in women shoppers but also arrange tie-ins with the stores' credit departments. Anyone with a charge account at the department stores next door can also use their charge plates for the centers' services.

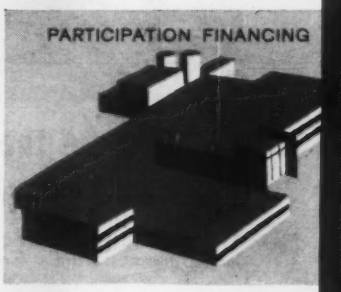
Department stores—and now even supermarkets—are fast becoming a major outlet for tire manufacturers. Says Goodrich's Vice President Guy Gandaker Jr.: "Three years ago sales of tires through department stores were virtually zero. Today they amount to more than two million units a year." —J. M.

A new product from Ingersoll-Rand: MONEY for









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International Markets

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- *New yardsticks for overseas plants*
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WHAT is the best way for a U.S. company to break in abroad? Judging from the record, there is no doubt about the answer to that question in the minds of American manufacturers. Of the $32.7 billion U.S. companies had put into overseas operations by the end of last year, no less than one third had gone into manufacturing facilities. And, far from slowing down the pace of their investments, U.S. businessmen have been continuing to pour funds into new foreign facilities at an even faster rate in 1961.

For the businessman who has been thinking of taking the plunge himself, one question usually looms bigger than all others. Simply put, what kind of a return can his company expect to get on its money?

No simple answer

The answer, he soon finds, is not easy to come by. For one thing, it depends to a very large extent on his company's individual circumstances. For another, there has long been a dearth of information on the actual experience of companies that have invested in their own production facilities overseas.

For help in this second area, though, the businessman can now turn to a new study by the National Industrial Conference Board that goes a long way toward providing the kind of hard facts he needs. Based on a detailed analysis of the experience of 147 U.S. companies with manufacturing facilities abroad, the study shows that the businessman who goes abroad in pursuit of higher profit margins runs a considerable risk of disappointment. Profits—at least in terms of return on investment—are a long way from being the Number One reason why companies invest in overseas manufacturing operations. They are, in fact, well down on the list.

Just what are the big advantages to be gained from direct foreign investments? Judging from the experience of the companies in the Conference Board study, there are basically just two: getting in on the ground floor in markets with an attractive growth potential, and avoiding the tariffs and other trade hurdles that often confront a made-in-USA export.

One maker of rubber products with many plants abroad summed it up. His company's aim, he said, was twofold: "To protect existing markets which would be lost if other manufacturers established manufacturing facilities, and to enter into markets which we could not reach through sales from domestic manufacture."

In effect, then, the most common answer to the question "Why manufacture abroad?" was simply, "We can't afford not to." But this far from exhausts the list of individual incentives. A few of the other reasons given:

- "To protect existing U.S. export business and further resale of other company products" (*a chemical company*).
- "To gain direct access to research activities in major scientific centers of the world for new product ideas" (*an instruments maker*).

• "To serve locally established subsidiaries of our customers with a dependable supply" (*a transportation equipment company*).

• "To minimize the effect of localized depressed conditions" (*an appliance maker*).

Oddly enough, not one of the companies in the study mentioned lower taxes, credit or investment inducements, or freedom from discrimination by foreign consumers against products of American origin. Nor, for that matter, did anyone in the study cite higher profit margins in less competitive markets.

Not that profits from overseas operations are by any means scant. If anything, margins tend to be a shade better abroad than at home. But this generalization has to be sharply qualified when it comes to evaluating individual markets.

In the more highly industrialized areas, margins are as tight or tighter, as a rule, as they are in domestic operations. Elsewhere, though, foreign plants often do yield a heftier return. The reason can be nothing more complicated than a lack of lively competition. Or—as in some parts of Latin America—it can be an economic climate where businessmen traditionally expect a higher rate of return on their investment and price their products accordingly.

In terms of favorable cost-price ratios, Latin America and the United Kingdom top the list as areas for plant investment. Of every two companies investing in either area, one reported a lower cost-price-ratio than in its domestic operations. Next comes the European Common Market area, with roughly two companies out of five reporting a better return than at home. In Canada the proportion is only one in three, and elsewhere in the world fewer than one company in five reports a higher return on its foreign operations.

The cost breakdown

What part do manufacturing costs play in this picture? Contrary to the notion popular among a good many businessmen, manufacturing costs abroad are as likely to be higher as they are to be lower than domestic unit costs on the same products. True, labor is generally cheaper overseas, even considering its productivity. But materials costs, which take the biggest share of the cost dollar both at home and abroad, are another story. In every

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Mr. Roger L. Main

St. Joe Paper Company, Port St. Joe, Florida, operator of National Board and Paper Mills, Ltd., Waterford, is typical of the many fine firms operating overseas plants in Ireland today under the tax exemption and cash grants incentives offered by the Government. In three years more than one-hundred new industries from all parts of the world have come to Ireland to set up operations. Manufacturing primarily for export, their products range from cranes and pianos to food.

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one of the overseas areas where these companies operated plants, those costs usually ran anywhere from 9% to 69% higher than in the U.S.

For the survey group as a whole here is how the unit cost dollar breaks down: materials, 46 cents; plant overhead, 18 cents; selling and distribution, 15 cents; labor, 13 cents; general and administrative, 8 cents.

It seems to make little difference whether the materials used are finished, semifinished components, or in raw form. In fact, most of the input was in raw materials.

Adding up all the components of unit cost—materials, labor, plant, overhead, selling and distribution, and general and administrative expenses, here is how the geographical differences shape up:

- In Britain, three out of every four companies reported lower total unit costs.
- In Europe's Common Market area, two out of three firms found a cost advantage.
- In Latin America, only one company in three enjoys lower total unit costs.
- Canada is even more definitely a high-cost area, with only one firm in five reporting lower total unit costs and half the firms reporting higher total unit costs.

Competitive disadvantage

In general, then, the cost advantage in manufacturing overseas tends to be on the slender side. But even if the products can be made cheaper at home, the cost of exporting—freight, packing, insurance, foreign duties and other charges—could easily put the made-in-USA product out of the competitive running in the foreign market place.

Among the industries covered by the survey, the most favored from the standpoint of overseas manufacturing costs was the stone, clay and glass industry. Makers of instruments and related products reported the second-best cost picture, and fabricated metals producers were runners-up. Chemical producers, food companies, producers of paper and makers of nonelectrical machinery were divided in their cost experience. And, at the other extreme, makers of rubber products, electrical machinery and transportation equipment typically reported higher unit costs abroad.

Copies of the full report, which runs to 195 pages of data and analysis, are

Photo by Fabian Bachrach

Chairman of the Board and President,
Eaton Manufacturing Company

John C. Virden tells why he feels the best location in the nation is better than ever

"Here in Cleveland and Northeast Ohio, you'll find all the conditions which make for profitable growth. We have Lake Erie which gives us an unlimited water supply. And it forms a link which connects our excellent overland transportation facilities with world ports. We have the 'chemical shore,' a sizable and skilled labor force, and a concentration of research facilities which places us fourth nationally in research activities. All these mean a healthier business climate for large and small companies—and provide the basis for my own contention that the best location in the nation is better than ever."

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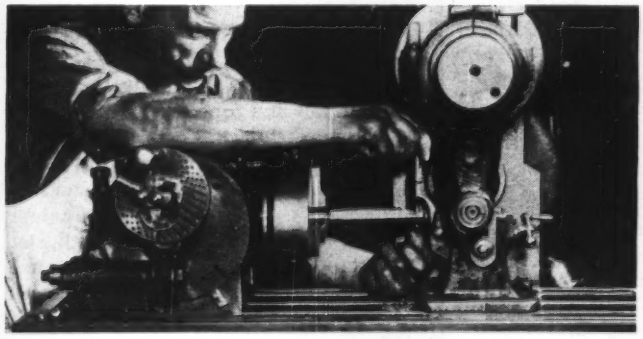

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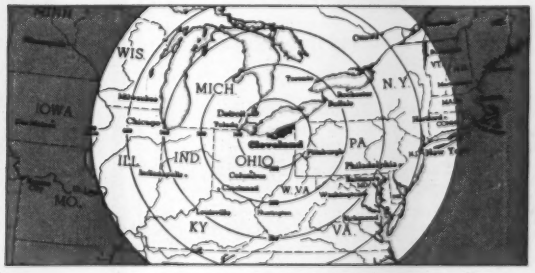

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Duty-Free Trade Zones

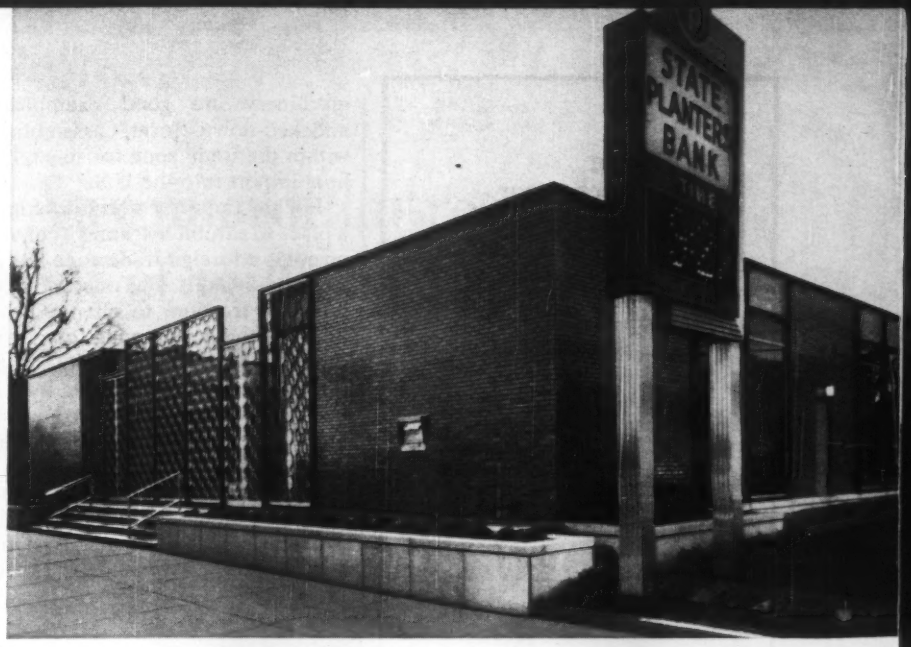
Surprisingly enough, many businessmen whose products include imported components or ingredients are unaware of the full cost advantage to be gained in operating from a U.S. foreign trade zone. Besides the five established zones at New York, New Orleans, San Francisco, Seattle and Toledo, a new one has just been set up at Mayaguez, Puerto Rico. Others are likely to follow elsewhere. Here are the ways in which operating from one of these zones can benefit the importer-manufacturer:

He can bring imported goods into the zone for preliminary sorting, grading, cleaning, repacking, re-marking, assembly or reassembly, or any minor processing without paying customs duties or putting up a bond. Then, if the imported goods are re-exported after processing or conversion, he escapes duty entirely, avoids having to file for refunds or drawbacks. And if the imported product is finally brought into the U.S., whatever its finished form, he pays duty only on the actual import quantity contained in the final product. This, of course, saves time and money if any part of the original shipment had to be rejected or was wasted in processing.

Again, if the businessman wants to stockpile import inventories—say, to avoid delays in delivery—he can warehouse them in the zone indefinitely, without tying up working capital in duties, bonds and inland transportation. Later, when it suits his purpose, he can bring the goods into the U.S.

If the products have to be re-marked or processed to comply with U.S. import regulations, handling these preliminaries at a zone can save costs and customs headaches. For example, if there is leakage, breakage or evaporation, the importer can repack and remark the product to show the final net content, with his customs bill adjusted accordingly. By the same token, products that contain foreign matter or are subject to moisture buildup can be dried, cleaned or sorted to reduce weight, if that affects the duty imposed on them.

In some cases, the businessman can save more in ocean freight than he pays in duties and other costs by bringing in his product—furniture or



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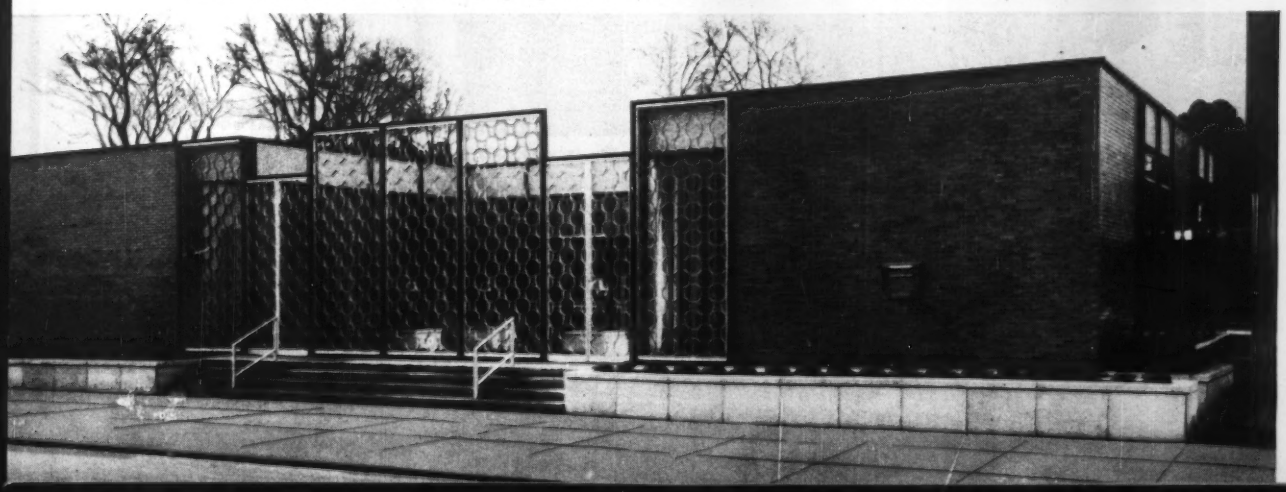

machinery are good examples—in knocked-down form, assembling it within the trade zone for re-export or final import into the U.S.

For the importer who is looking for a place to exhibit his wares (converted or not), a foreign trade zone has a lot to recommend it. For one thing, it offers him freedom to change his displays without worrying about time limits. For another, it enables him to sell from stock in wholesale lots, if he chooses, without running the risk of annoying a customer with uncertain delivery dates.

Since trade zones are open 24 hours a day, seven days a week, there is no problem of access hours. And transport facilities, as would be expected, are ample.

Investment Boom Abroad

How do you spot a growth market overseas? One tip-off no international-minded businessman can afford to ignore is the opening of a new foreign stock exchange. Right now, new exchanges are springing up literally around the globe. To the south, Puerto Rico, whose successful "Operation Bootstrap" brought in 190 new plants worth $21 million in fiscal 1960-61 alone, is pushing ahead with plans to open a stock exchange. The exchange, its sponsors hope, will help to persuade Puerto Ricans to invest in local industries. Creation of investment companies is part of the plan.

Five thousand miles to the east of San Juan, the first West African stock exchange opened in Lagos, Nigeria a few months back. And to provide a ready market for stock flotations by its medium- and small-sized companies, Japan has now created a second stock exchange, which will post quotations on companies capitalized in the $300,000 range. Activity on Tokyo's major stock exchange, where quotations have been skyrocketing in recent months, reflects Japan's burgeoning economy and the urge to invest that has seized even the man in the street.

Meanwhile, the Paris Bourse, where industrial shares have climbed fourfold in the past few years, is overhauling its rules of operation. It is consolidating the first two of its three markets into a single exchange. This move is calculated to raise its prestige among European securities exchanges. Its third market, the *hors bourse* (unofficial market), will continue to go it alone.

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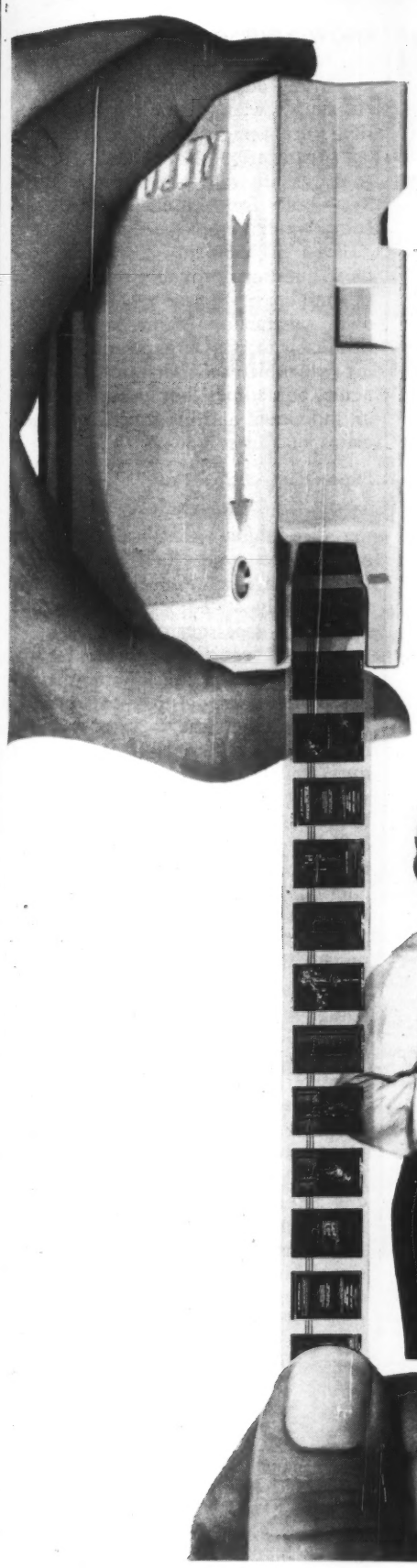

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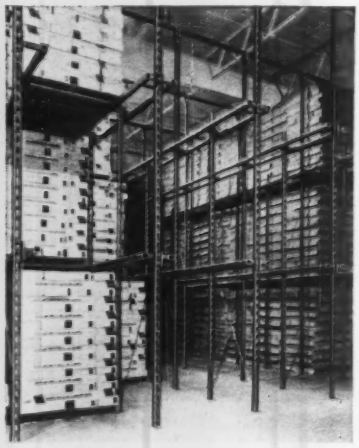

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KNOW YOURSELF

continued from page 49

ment, any change, any subordinates. He simply wants to be the best possible purchasing agent for his particular organization. If he achieves this goal, his life will have been productive—both for himself and for the company that employs him.

Even a moment's reflection on these questions probably reminds you of conflicts you had to resolve to your own satisfaction. Sometimes these conflicts are with organizational policy with which the individual does not agree. Sometimes they occur between an individual and his superiors, associates or subordinates.

"Speak up . . . get out"

There are several ways of resolving the conflicts that are bound to arise when you have individuals working together. One alternative is very simply stated: "Speak up, act up and, if necessary, get out."

This, of course, is easier to say than to do. There are any number of deterrents to facing up to this critical issue, including the lack of willingness to answer Dr. Hartmann's four questions. Then there are the other very real roadblocks that we know all too well: family obligations, the high cost of education, mortgages on homes and the numerous personal commitments which give a man pause before he decides to leave a job.

Unfortunately, some managements attach strings to individuals which keep them too closely tied to the company, making it difficult to leave because of the substantial financial loss involved. Without condemning them in any general way, several instruments do sometimes serve this purpose: certain types of pension plans, stock option and purchase plans, deferred compensation plans and agreements not to compete.

But in the case of certain general management jobs and such professional functional positions as those in controllership, accounting, automation and personnel, the ties that bind the company and the man too closely may be harmful. They may do a disservice to the individual and to business as a totality, reducing the degree of mobility among professional managers which, perhaps, we need now more than ever before.

A first-rate professional personnel man, for example, should have freedom to move from company to com-

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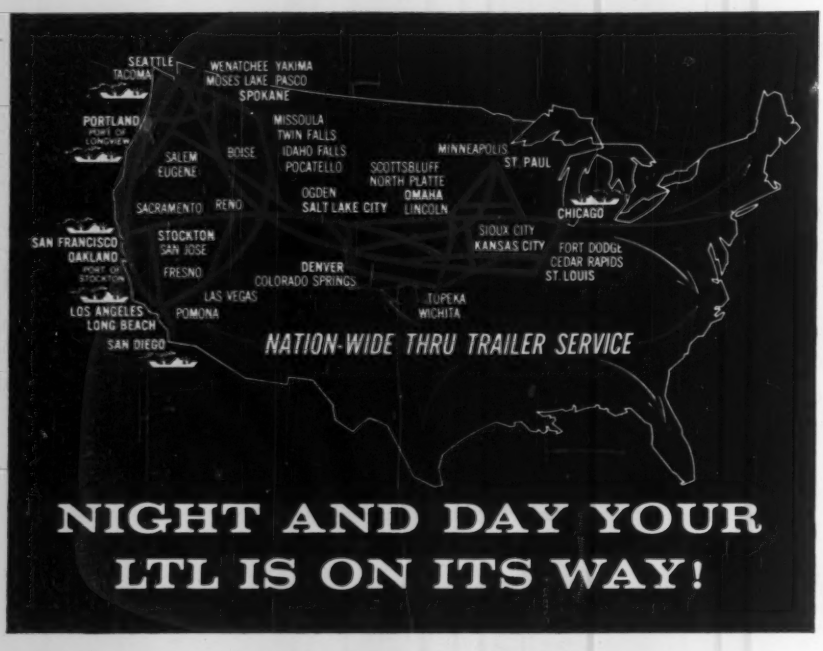

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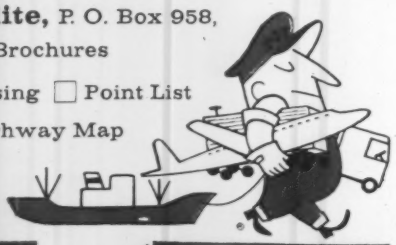

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pany at reasonable intervals and to do the kinds of jobs for which he is trained and qualified. By so doing he not only contributes to his own development, he also raises the general level of performance in his field by sharing his particular skills with several companies.

But let us turn to the fourth question Dr. Hartmann posed: "How can I help the organization to achieve *my* goals?" Another way of stating this is to ask: "How can I, having decided to remain with this organization, increase my influence in it toward proper ends?"

Our goals—which we see quite clearly as right, good and valuable—may vary drastically from what we know from experience is attainable. It is at this point, then, that we have to make our decision. As Theodore Roosevelt put it: "There is a point, of course, when a man must take the isolated peak and break with his associates on clear principle; but until that time comes, he must work, if he would be of use, with men as they are, as long as the good in them overbalances the evil. Let him work with them for the best that can be obtained."

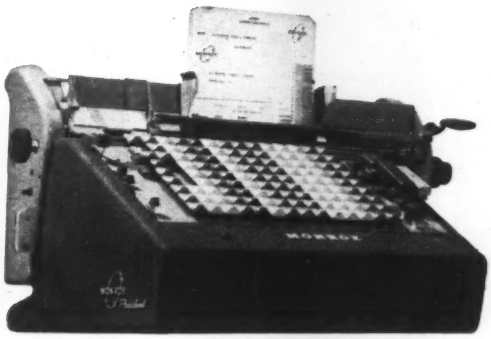
Many of us have had occasion to reflect on this kind of question and have chosen the latter course of action.

The art of disagreement

Within an organization there are some people who can be nonconformists and get away with it, who can state a point of view different from top management's and yet be respected for it. Perhaps that nonconformist point of view will even be adopted sometime later, possibly as having originated in top management.

There are other people who have not learned how to disagree successfully. Either they become "yes" men and agree with everything that is said by anyone in a position of importance, or they shut up, suppressing their own views. They have found through practice that when they do speak or act, they are not respected for their views. They are ridiculed, knocked down. In a manner of speaking, they are put into isolation wards—and every company has one.

If we observe that some people can be constructive within a conformist organization and others have not learned this art, this leads each of us to an analysis of his own effective-



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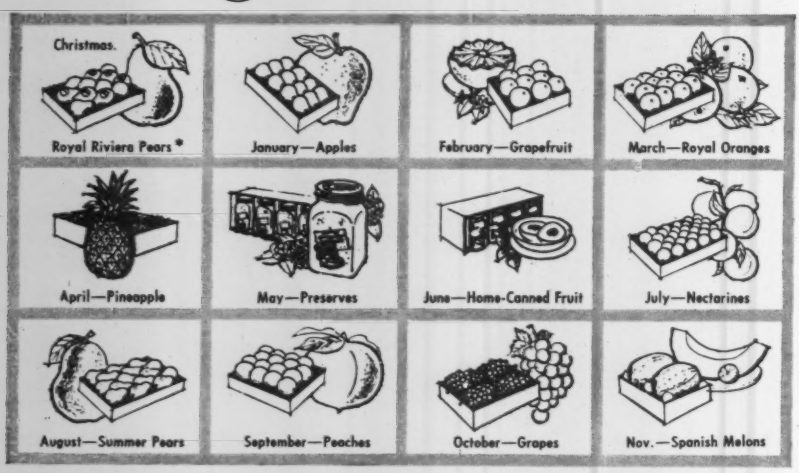

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5. The average number of copies of each issue of this publication sold or distributed, through the mails or otherwise, to paid subscribers during the 12 months preceding the date shown above was: Average paid copies October 1, 1960 to September 30, 1961—123,544.

(Signed) VIOLA V. ANDERSON Business Manager.

Sworn to and subscribed before me this 26th day of September, 1961. MYRTLE L. VINTON (Seal) (My commission expires March 30, 1962)

ness in influencing others. In other words: "How well do I understand myself, and how can I improve?"

The kind of change we should anticipate, work toward and be satisfied with, is *limited* change. It is not a drastic overhauling of behavior, personality or work habits. This is impossible, except possibly through psychoanalysis or gland therapy.

Generally, we *are* rather satisfied with ourselves. We do not want to look too deeply into the inner resources of our being. Research reported by the American Management Association indicates that "most executives show marked defensiveness, strong control, a relative lack of insight into themselves and their motivations and, importantly, a tendency to shy away from too much self-analysis."

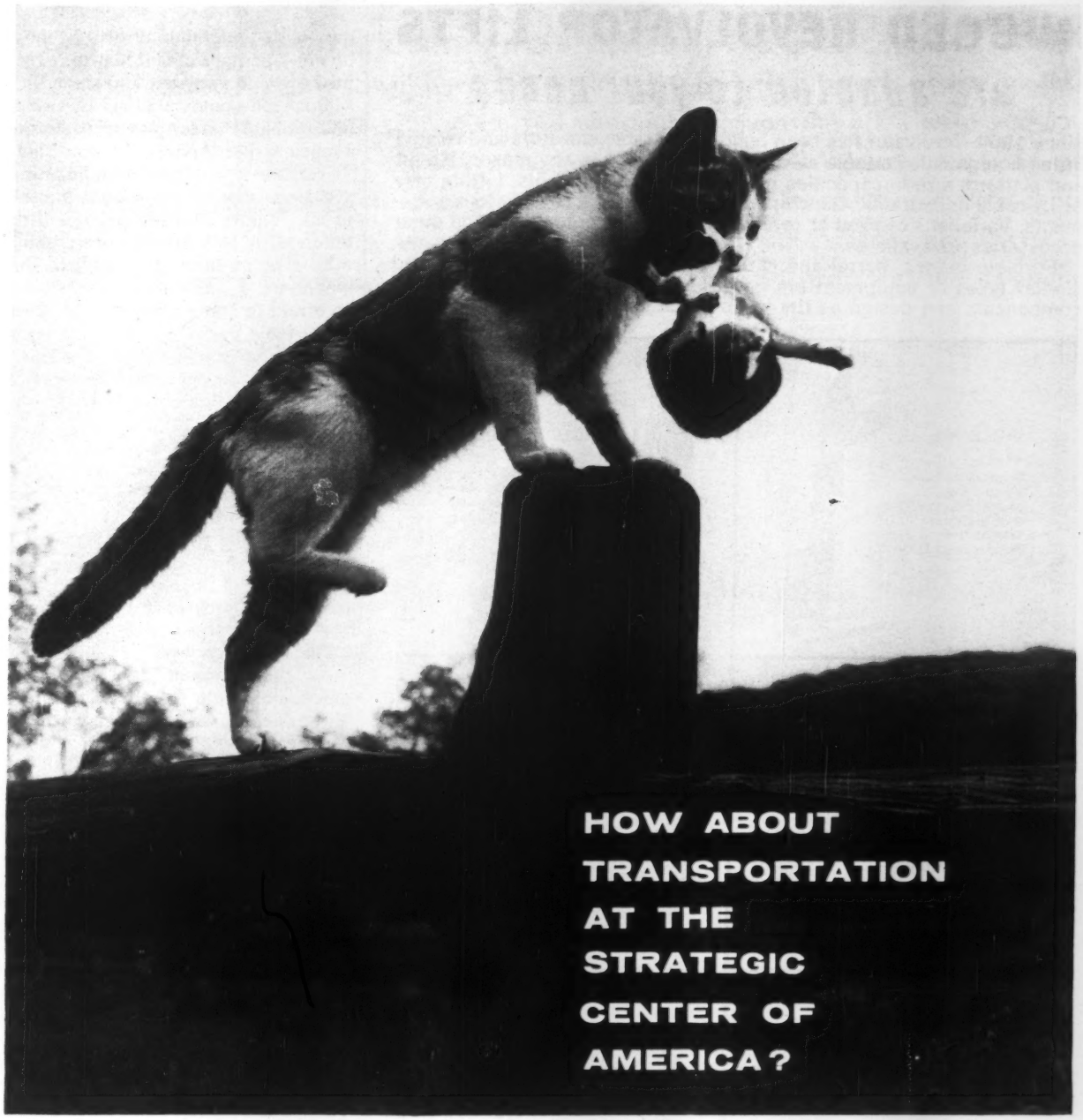
Three sources of knowledge

So let us not try to produce tremendous changes in ourselves or in others, especially our subordinates. Let us look forward to realistic changes, attainable goals. If an individual can improve his performance with his subordinates in a specific task during the period of one year—for example, by 2% in order-giving or over-all managerial competence in dealing with other people—this will amount to a pretty substantial improvement in ten years. And most managements would be satisfied with it.

Three sources can help a man understand himself. The first is himself, the second is other people within the organization and the third includes sources outside the organization—in that sequence.

How can a man gain greater insight into himself? One way is simply to practice a little introspection, to consider Dr. Hartmann's four questions, to think about his objectives and his relationships with other people, to ascertain how well or how poorly he is influencing the organization.

There seems to be a real necessity, these days, to find a time and place for reflection. Sometimes the opportunity comes when a man attends an outside course; sometimes a vacation period serves the purpose; sometimes it means saying, "I'm not going to the office today; I want to sit and think about broader goals and problems." Some companies encourage their major executives to take time



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Since 1904 Revolvator has been building portable elevators and related lifting equipment. Portable elevators are available in any reasonable lift and platform size in capacities from 500 lbs. to 5,000 lbs. Lifting may be by cable or hydraulic, hand operated or electric, according to requirements. Variations of fixed or revolving base, telescopic masts and other accessories are available.

Portable cranes, barrel and carboy handling and dumping lifts and similar types of equipment are based on the same rugged Revolvator components and design as the basic portable elevator.

INDEX No. 11.17

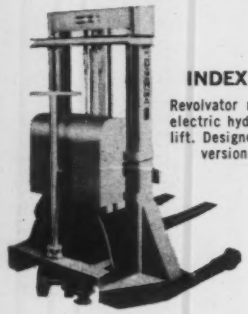
Revolvator portable elevator. Electric powered telescopic mast type shown. Revolving bases and other features available.

INDEX No. 11.21

Uplifter with two speed hand hoist and dual capacity. Stock unit available in standard sizes.

INDEX No. 11.22

Uplifter with electric hydraulic hoist with two roller chains. Stock models available in two sizes and capacities.



INDEX No. 13.22

Revolvator manually moved, electric hydraulic hoist fork lift. Designed for later conversion to fully powered Go-Getter.

INDEX No. 11.31

Revolvator semi-portable hydraulic lift table. For sheet feeding, etc. Where conditions do not permit submerged pistons as with Index 12.21 models.

INDEX No. 31.10

Revolvator barrel dumper with either hand or electric hoist. Either front or side dumping models discharging at any reasonable level to suit requirements.

REVOLVATOR CO.

ESTABLISHED 1904

Designers and Manufacturers of Portable Elevators, Power and Hand Lift Trucks, Hydraulic and Traction Elevators, Carboy and Barrel Dumpers, Portable Cranes, Positioners, Storage Racks, Turntables and Other Material Handling Equipment.

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out to sit and think. Probably most do not—perhaps in fear that the executives will go away and just sit.

But self-contemplation is useful and probably under-practiced. As the French writer Andre Gide has said: "Everyone is so afraid of finding himself alone that he never finds himself at all." James Thurber put it a little differently: "All Americans are going 600 miles an hour jet-propelled. But where to? I know one man who is so afraid of being alone that he takes a portable radio to the bathroom. They ask me what I do in a room just sitting there, and when I say, 'meditate,' they think I need a psychiatrist."

Even though an executive can be as gregarious as the next man, he requires considerable periods of time alone to think about himself and—high-sounding though it may be—to determine how well he is doing with his life.

A psychiatrist once made this observation as a guide to executives: "The executive who, upon examination, finds himself harassed in his operations, and irritated, troubled and distressed by his associates, should suspect himself."

The practical way

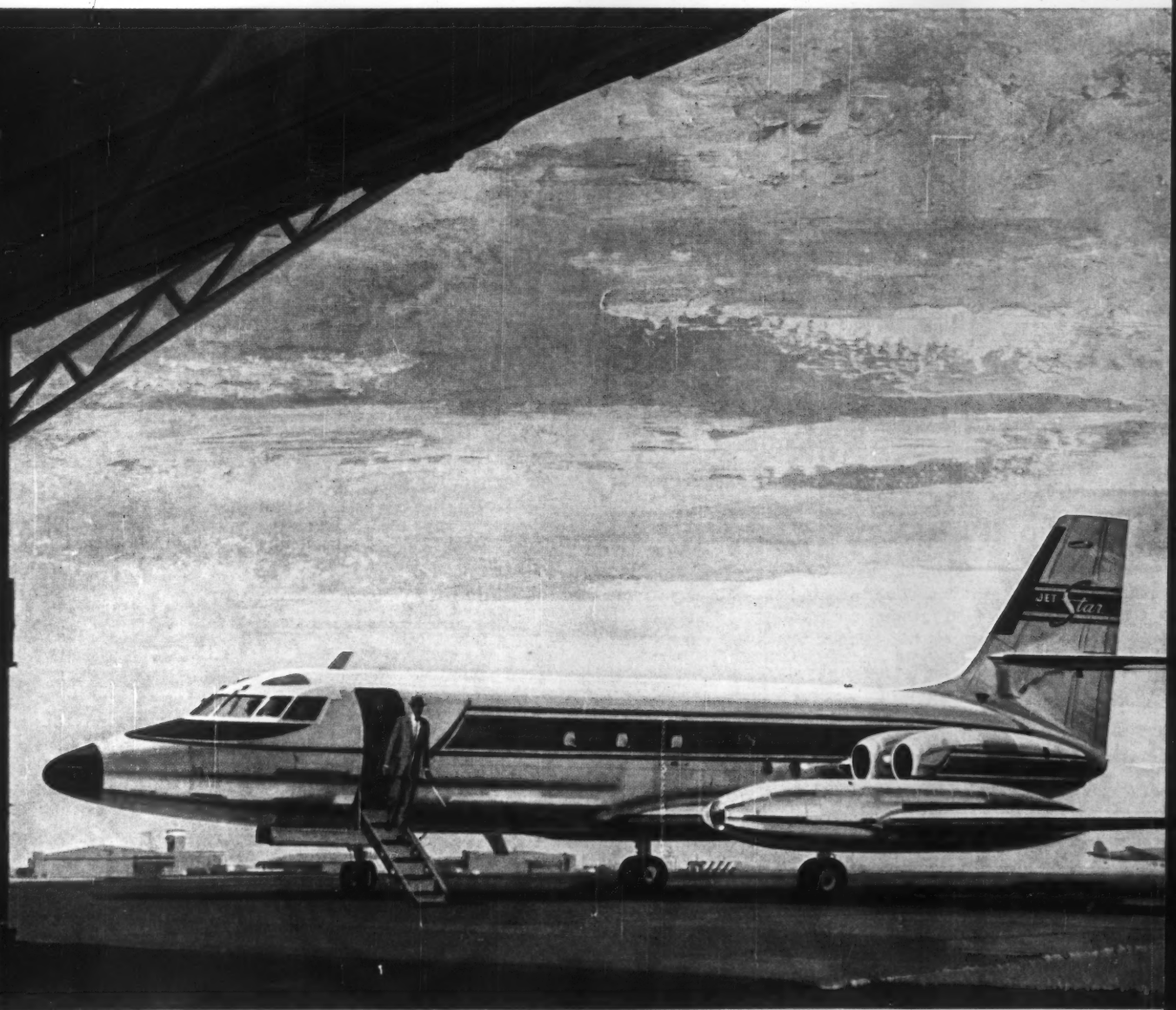
This, no doubt, is good advice, but how many persons can identify and suspect themselves simply by reflecting on this statement? Is there much likelihood that an executive who was described as being a sadist and a bully will ever be aware that he is irritated and troubled and distressed by his associates? It is a natural way of life for him, and he may well enjoy it.

There is a more practical and feasible approach to self-analysis. It takes the form of answers to four simple questions. They can be elaborated upon, condensed or thrown away. But, if applied, they may give you some insight into what you did or did not do to contribute to success or failure in any given situation.

To try this method, think of a situation that did not turn out as well as you had hoped. Ask yourself the four questions and be as objective as you can in answering them. Then, instead of just thinking about the situation, write it up. When you get through, you should have a revealing, helpful case study about yourself. The questions:

- What really happened? Describe

The corporate-size jetliner has arrived. This is the Lockheed JetStar—FAA-certificated 8-28-61. It will have you at your destination—a nearby city or another hemisphere—while the prop planes are still churning through the air. Cruise 500-550 mph, up to 45,000 feet high, far above the weather. Four Pratt & Whitney jets, mounted behind the fuselage, let you travel in peace and quiet. You can land and take off at more than 1,000 airports in North America—hundreds more in South America and overseas. Lockheed-Georgia Company, a division of Lockheed Aircraft Corp., Marietta, Georgia.



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Each Super Duty V-8 engine, 401-, 477- and 534-cu. in., is dealer-warranted for 100,000 miles. Ford dealers will replace all major engine parts (including block, heads, crankshaft, valves, rings, pistons) found to be defective in material or workmanship. Warranty covers full cost of replacement parts for 100,000 miles or 24 months, (or 3,000 hours of operation as a power source other than propelling the vehicle), whichever occurs first . . . plus full labor costs for 50,000 miles, 12 months, or 1,500 hours, sliding scale thereafter.

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the sequence of events. It may be quite different, sometimes, from what you think happened.

• What did I do? Perhaps you omitted to send a carbon of a letter to a man who thought he had a vital interest in the project. And many people are highly resentful if they are not consulted on matters that concern them.

• How was it interpreted by the other people involved? Write out what you feel, on reflection, may have been the logical and especially the emotional reactions of the other person. This is quite different from shrugging it off with the rationalization: "That stupid ox—he couldn't understand at all!"

• Finally, summarize. What could I have done, not done or done differently which might have produced a better result? If, for example, you had sent the carbon, the man might have cooperated. It is essential to think through the available alternatives in any situation and to consider which one is likely to work out best.

Finally, when you have your own and possibly the other participants' views on paper, try to find somebody who is a neutral observer of the situation, someone who was aware of what was going on but was not directly involved. Then get *his* comments. Putting all this together in case-study form you will then have a document similar in some respects to Lawrence Durrell's *Alexandria Quartet,* from which you can learn and from which you can set some reasonable goals for future action.

The 'peer ratings'

There are additional sources of help from people in the organization. Some have found "peer ratings" helpful. Under this plan, people at such given levels as vice president or department manager rate each other anonymously. They indicate the managerial characteristics of the individual, his greatest strengths and the areas where improvement is most needed.

However, peer ratings should not be used unless the inter-personal relationships are generally good, constructive and honest. Otherwise, people can use this device to take anonymous "pot shots" at each other, with great damage to ego and self-esteem.

More significant help in self-analysis can be derived from the perform-

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8. WHITE COLLAR REPORT–Weekly report covering employee-management relations of clerical, technical, scientific, professional, and white-collar workers.

9. RETAIL LABOR REPORT–Weekly report exclusively designed for retail field. Tailor-made for management and unions in retail stores, food and drug chains.

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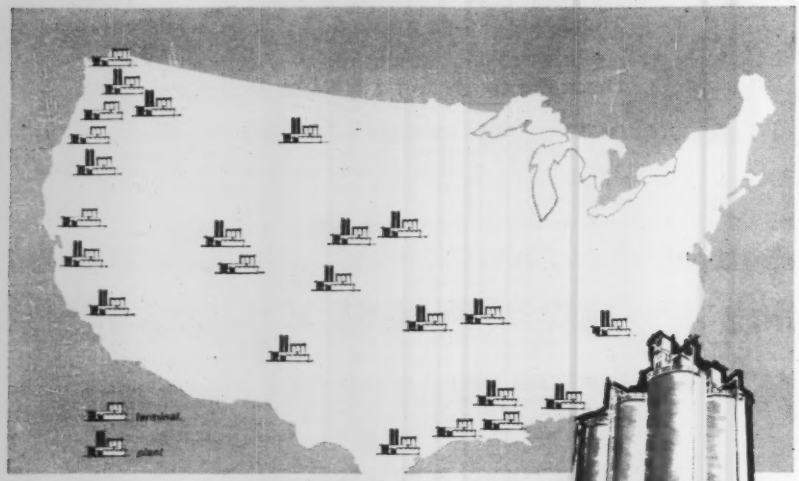

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ance review. If the boss conducts it in the proper way, he will learn a lot in the process, not only about his subordinates but about himself. There is, however, a real element of danger involved in the performance review. This occurs when the boss does all the talking, telling and recommending, and when it is a once-a-year formality without adequate interim discussions of a man's over-all performance.

So, if you are going to use the performance review, make sure it has a self-review element. That way, the subordinate can tell the boss what he thinks about himself.

Next, let the subordinate talk first. Then all the boss will have to do is to agree or disagree to the extent required.

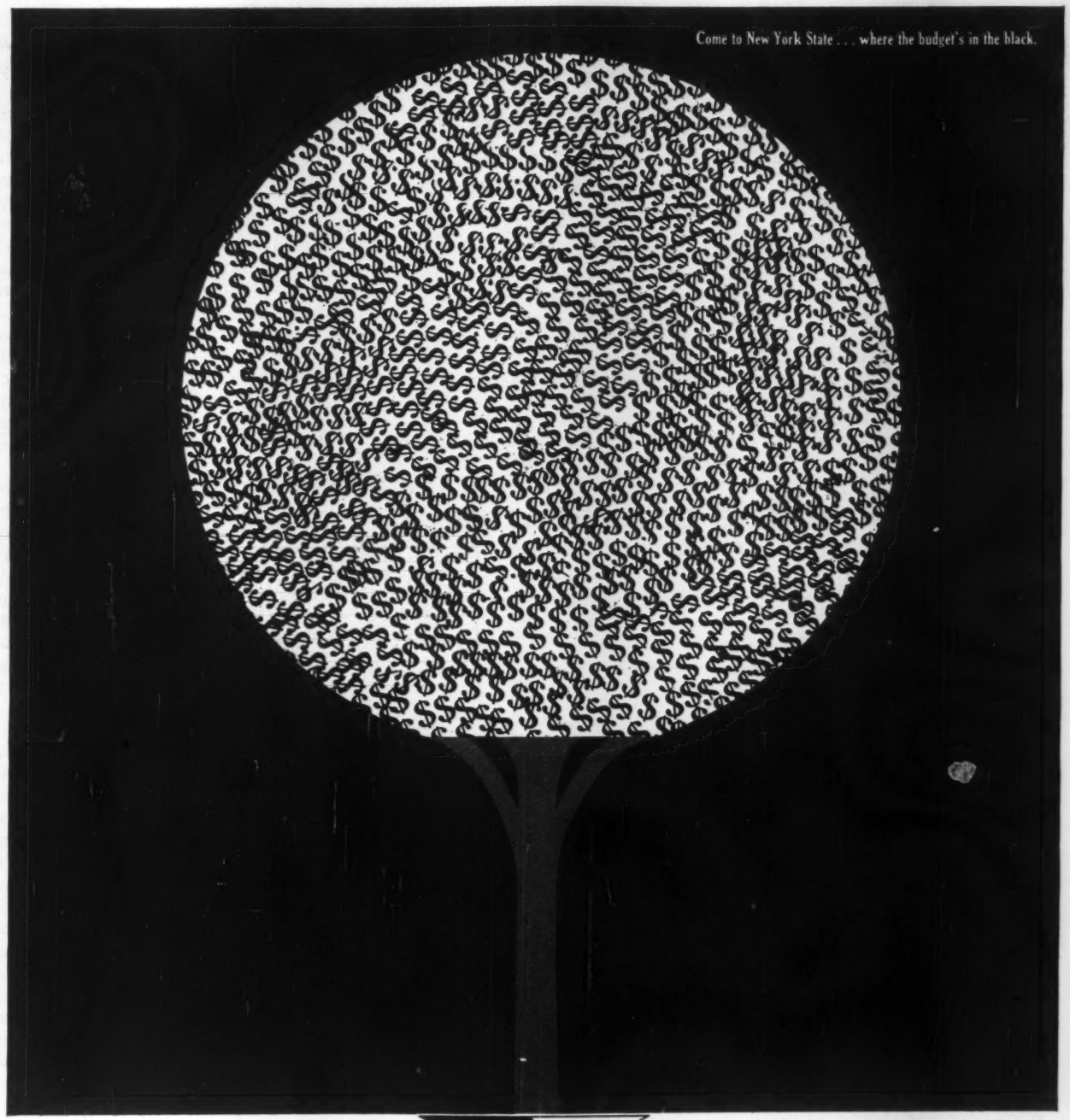
The next step is to establish meaningful performance standards, in both quantitative and qualitative terms. We hear a great deal about such standards, and we all know how difficult they are to put into effect. Until we have satisfactory yardsticks, though, it is very difficult to use the performance review effectively.

Opportunities outside

Then it is possible to set reasonable goals for specific improvements. For example, you may say to yourself or to your subordinate, or he may say to you, "Next year I am going to take a course that will help me to improve my written reports." Or, "I am going to learn how to run a productive meeting." Or, "I'm going to increase sales to new customers by 13%." These are fairly concrete objectives, not unobtainable, general, blue-sky goals.

Do not overlook, in addition, the opportunities available outside the organization. The psychological examination can be very helpful when there is a non-threatening feedback to the individual who has been examined. Too, most people need to have someone to talk to, simple as that seems. Not to get advice, because no one wants that, but just to talk. Through the process of talking, many persons not only obtain catharsis but develop insight into the real problem. They are then able to come to a decision and take action.

"Writing it out" and "talking it out," in summary, can help us to analyze ourselves, to gain insights, to come up with plans for feasible improvement. END



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$x = \frac{S}{P}$

x = your market penetration
S = your sales in dollars
P = your market potential

If you don't know P, you're only guessing at x

(Here is a ready tool that enables building products manufacturers to arrive at a realistic picture of both.)

Sales figures alone — even if they are rising — aren't a reliable index of success. For if potential is growing faster than your sales, you are actually losing ground, not gaining, because your share of market is shrinking.

Many of the leading companies that sell the new construction industry purchase Dodge Construction Contract Statistics to help get a reliable picture of their performance. They use these figures to determine their true *potential* in terms of actual market activity — which provides a simple basis for measuring sales *penetration*. And they can do this for their specific sales territories or distribution areas.

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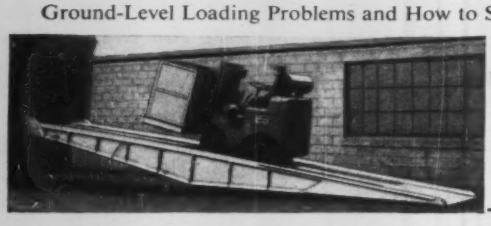


Write Today for Bulletin DB-211

Magline Inc.,
P. O. Box 1511,
Pinconning, Michigan

continued from page 48

then *lend* another $400,000 to the company.

So far, the original $400,000 is leveraged three times over. But, on top of this, the SBIC is permitted to go out and borrow up to four times its equity capital. That means the minimum-size SBIC ($300,000 capital) could theoretically borrow $1.2 million, which would bring its total capital available for investment to $1,600,000.

In practice, however, the full potential leverage has never been realized. Moneylenders have been reluctant to lend SBICs anything like four times their equity capital. Even so, leverage of six times the original equity investment is not rare.

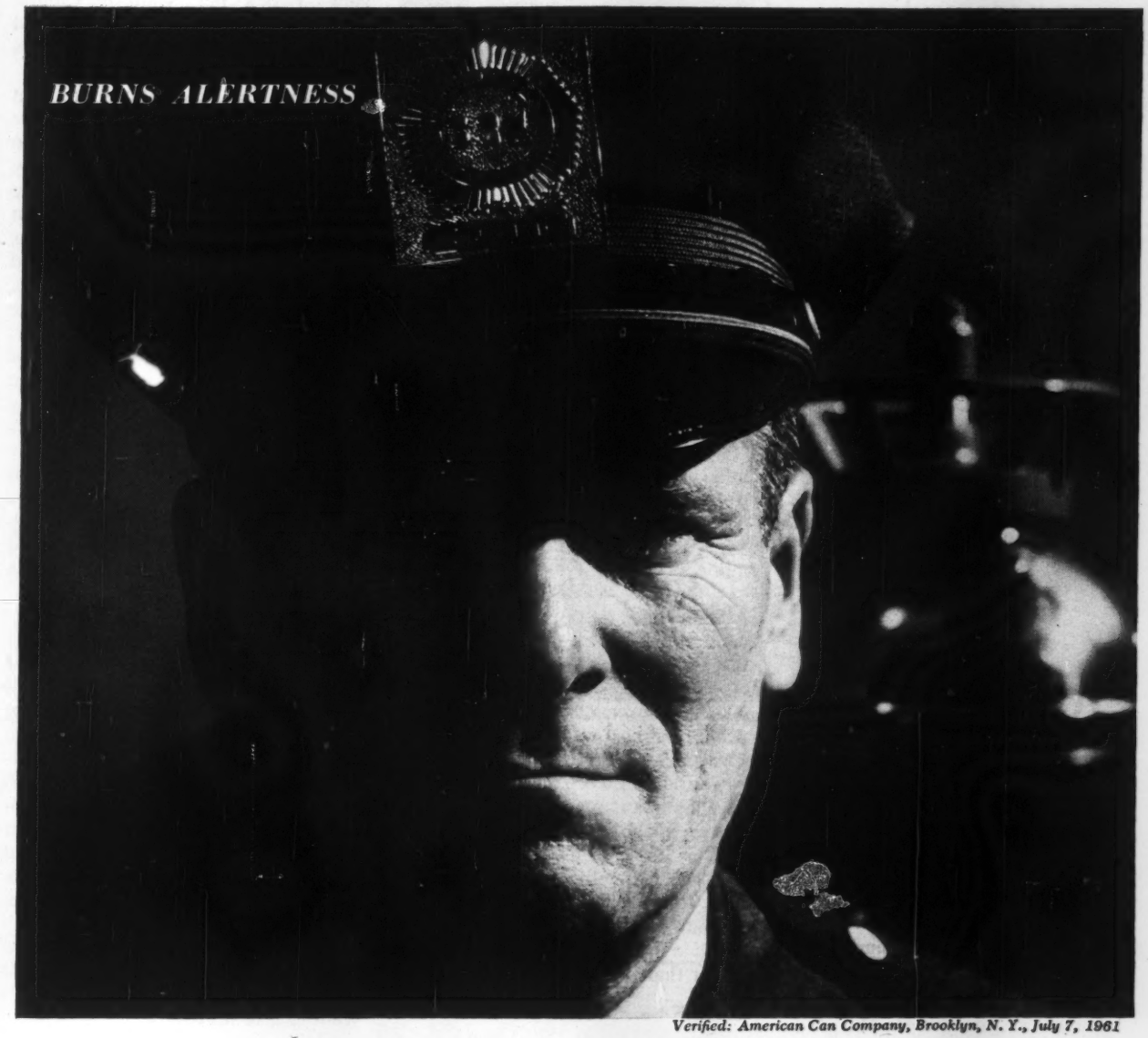
Taxes. Here is the real reason for the SBICs' attractiveness for high-bracket investors. Put simply, every dollar a SBIC loses comes out of somebody's regular taxable income; every dollar it makes counts as capital gains. Thus, if a SBIC can break even on its investments, its owners will come out way ahead (*see chart, page 48*).

Good for bankers and lawyers

These tax and leverage features are by no means the only advantages offered by the SBIC form of organization. Banks, for example, have formed them not only for their money-making possibilities but because they regard them as excellent ways to nurture promising new customers. Conventional money lenders and professional providers of risk capital have found SBICs an excellent supplement to their operations. A Florida outfit, for example, uses an SBIC to lend capital to speculative builders. Lawyers, especially those of an entrepreneurial bent, have found them handy tools.

Such advantages aside, can the SBICs make money on their own? The odds are that they can. But in most cases it is too early to give a definite answer. Not until last year did the SBICs get going on any very substantial scale. To date there have been only a few losses and a few very spectacular successes. Typically, these successes have tended to be good-sized investments, usually in the electronics or scientific field. For example:

• Electronics Capital Corp., run by Electrical Engineer Charles E. Salik, lent $750,000 to Potter Instrument in return for debentures convertible



Verified: American Can Company, Brooklyn, N. Y., July 7, 1961

The fire wasn't his job ...but the Burns Guard made it his business

An explosion split the night outside the plant property. Burns Guard Mosso spotted a nearby building engulfed, flames rapidly spreading to a house adjoining the plant. The fire department was called and Mosso then ran to the house. To awaken the tenants, he had to force entry. He led a woman to safety through the angry flames as police arrived to guide her husband. Despite severe burns to his right hand, Mosso returned to the plant to secure it and stand fire watch till the danger passed.

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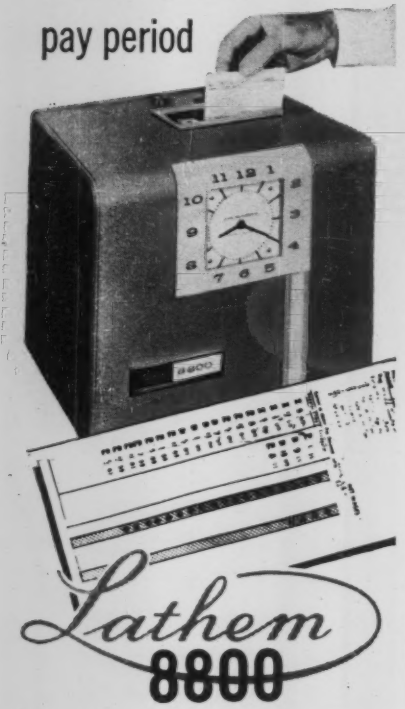

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OPPONENT Walter Heller, major moneylender, holds SBICs are overrated.

into one third of Potter's common stock, which is publicly held. Recently, the conversion value of the SBIC's $750,000 investment was around $10 million.

• Greater Washington Industrial Investments, based in the nation's capital, put a bit less than $1 million into C.E.I.R., a computer services company. At one point, Greater Washington was sitting with a paper profit of almost $8 million on that one investment.

• Franklin Corp., run by Herman E. Goodman, a onetime Manhattan textile magnate, lent $350,000 to Astrex, Inc., an electronics distributor. Astrex' common stock rose so high that the warrants Franklin got as part of its loan package gave the SBIC a paper profit at one time of better than $1 million.

Enough borrowers?

Still, it is difficult to tell at this point whether such spectacular profits were a result of the inherent advantages of SBICs—or simply a by-product of the heady boom in science stocks. Nor is it at all certain that the burgeoning number of SBICs will ever find many investments of the Astrex or Potter variety.

Even today, many leading SBICs are very far from fully loaned. In July, according to the well-informed SBIC Evaluation Service, the big Boston Capital Corp. (assets $21.2 million) had less than 20% of its money invested. Electro Science Investors, run by Dallas' dynamic James J. Ling, recently had found investments for just over 40% of its $15 million—despite the fact that it has been in existence close to two years. Buffalo, New York's big Midland Capital Corp., in similar fashion, had invested just a shade over one third of its $16 million.

So far, then, indications are that well-run SBICs may find it harder to find suitable investments than to raise money to put into them. It may turn out to be harder to lend the money out than to take it in. Not that there is any shortage of Americans with what the possessors regard as fine money-making opportunities. How many of them will stand the test of rigid fiscal analysis, however, remains to be seen. And some of those that do may well turn out to be too small to fit into the relatively large scale standards that the SBICs are trending toward. As for the very best investment risks, many of them may prefer to go to moneylenders rather than dilute their equity with the kind of convertible debenture or warrant deals that the SBICs usually demand from them.

Reaching too far?

Under these circumstances, some of the SBICs may be tempted to reach too far to find investments. They may be tempted by the tax advantages to pour good money after bad in investments that have started to go sour. Some critics think this day may already be at hand. One such is Walter Heller, head of the big factoring and commercial moneylending firm. "There are hosts of SBICs," says he, "but the vast majority of them can't find enough good companies to lend to. They find that more and more of the well-managed companies don't want to give up equity."

Heller, of course, is hardly an unbiased witness; SBICs are in direct competition with his company in many fields. Still, his observations have a certain force and point up a fact that some SBIC men will admit privately. For the simple fact is this: a government-backed and subsidized program like the SBICs can neither create business opportunities nor turn mediocre management into topnotch management. And in a very realistic sense, it is good management and shrewd entrepreneurial skills that are in short supply, not capital.

Certainly the SBIC law was well-intentioned and has created a promising new investment medium. But to expect too much of it—or to expand it too fast—would be exceedingly unwise. END

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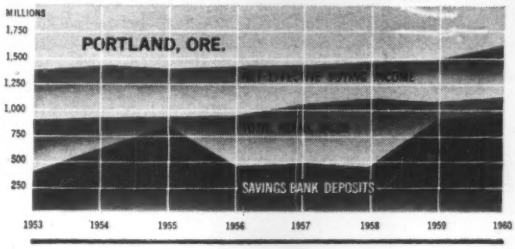

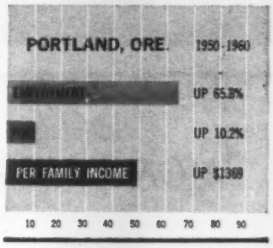

Portland is to be counted among those amazing areas of the West where industrial growing pains are constant and spreading. One look at the above charts tells the story.

One of the choice locations (pictured here) is approximately 10 miles from Portland's downtown business center and immediately accessible to Union Pacific main line and U.S. Hwy 30. Streets are paved; all utilities are in; some nationally known industries are now located in Rockwood. 135 acres are still available.

When you locate in Portland you locate along the route of the Union Pacific—the road that has helped spearhead industrial growth of the West since the rails first opened the territory. Its modern facilities and equipment are a promise of fast, reliable freight service.

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Managing Your Manpower

- *The hot issue in Detroit*
- *Hoffa makes his plans*
- *Grumbling in the ranks*

COST-CONSCIOUS managements are uneasy over the outcome of this year's auto bargaining. The United Auto Workers' package, it is estimated, will cost the auto companies anywhere from 31 cents to 38 cents an hour, figures that are causing sleepless nights for some executives.

But this is sleep lost over the wrong issue. Of all people, it was James R. Hoffa who "fingered" the real issue behind the drawn-out Detroit bargaining sessions. Organized labor, said Hoffa in a speech to the Transport Workers Union a couple of weeks ago, should have rushed mass support to the UAW when it struck Ford "to win production controls."

This is the real collective bargaining issue of the 1960s. The issue comes down almost to a question of who "owns" the job—the worker or his management.

Long-established job seniority rules, mutually settled between employers and employees, first opened this question. They gave the worker a limited "ownership" of his job. Since then, the question has been opening wider and wider.

The major industrial unions like the UAW are now starting to test some of these larger dimensions of the question. Does the worker (or his union) have a right to say how many other men will work with him on the production team? Does he have a right to determine what constitutes a day's work? Who is to make job assignments? Who is to set the speed of the assembly line? And does the worker—or the union—even have a right to raise questions like these?

The auto strike tended to cloud over this basic issue in a swirl of less-important disputes. As has been the case in every recent major strike, auto workers hit the bricks, not over economic issues, but over the by now familiar so-called work rule issue. Auto management did not contest the economic package; indeed, wages—and to a lesser extent fringe benefits—are nowadays determined by formula, or rote, rather than by traditional bargaining.

The tensions seething beneath the surface in the auto plants, that later erupted into walkouts, became evident this spring when UAW local elections resulted in a turnover in the auto union's secondary leadership. "These boys made all kinds of promises," says one close observer, "and this fall they had to flex their muscles." The statement is a kind of half-truth, but it does cast some light on why the negotiations proved to be so rocky despite the fact that "national" issues were resolved fairly easily.

Reuther did manage to reverse the trend towards the removal of the cost-of-living clause from labor contracts. This is a significant reversal for the hard-nose bargaining approach advocated by such companies as General Electric. It is a reversal that makes not only management but also the Federal Government unhappy, because it generates more fear of inflationary pressures.

How much of a path breaker the profit-sharing plan devised by the UAW and American Motors Corp. will prove to be remains uncertain. "Profit-sharing," sadly comments one executive, "has become a fad. And never underestimate the power of a fad." But what disturbed this man was more the notion that Reuther's profit-sharing idea "is just 'ability to pay' under another guise."

Reuther has long been an advocate of setting wages by industry's ability to pay, coupling with this a demand that unions be given a right to look over company books. "This," says the perhaps unduly suspicious executive, "is exactly what Reuther has achieved through the profit-sharing gimmick."

On the really important issue of production controls, the UAW's progress was slight. But that it made gains at all is significant in an issue that cuts so sharply into the traditional areas of management's domain.

Reuther managed to win limitations from General Motors on the work foremen may perform in hourly rated jobs; an agreement by the company to give reasonable advance notice when possible on plans for overtime work; representation by union committeemen in grievances as a matter of right; and a clause specifying that the speed of assembly lines will not be increased beyond the level for which they are manned as a means of making up for loss of production because of breakdowns.

It is here, within the area of "management rights," that the real labor struggles of the 1960s will take place. The auto negotiations are but the bare beginnings.

Hoffa's Grand Strategy

Michael J. Quill, pixie president of the Transport Workers Union, is considered a buffoon by many in trade union circles. Certainly, the reception accorded James Riddle Hoffa, stocky boss of the 1.5-million-member Teamsters union, at the convention of Quill's 150,000-member union had the elements of a farce. Carefully printed signs, proclaiming "TWU Welcomes Hoffa," were waved during a "spontaneous" demonstration as Hoffa strode into the hall. Also the sight of an exiled chieftain making a major policy address for a "united" labor movement to delegates of one of the less powerful unions affiliated with the AFL-CIO was not without its irony.

But the jokes of a court jester are rarely without a point. And the point

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of Quill's invitation to Hoffa was not lost on labor's top leadership, nor should it be on management. A growing number of union leaders want Hoffa and the Teamsters back in the AFL-CIO.

As for Hoffa, he wants two things badly: one, to get back into the House of Labor, whose respectability can both cloak the power he wields and add to it; two, to be president of a united labor movement that will not only encompass all the present unions within the AFL-CIO plus the Teamsters but all others now outside the federation's pale. This includes Harry Bridges' West Coast Longshoremen, the Mine, Mill & Smelter Workers, and the United Electrical Workers, all expelled from the CIO on charges of being Communist dominated.

The chunky and feisty Teamster boss has not—and is not likely to—acknowledge the second goal even to his closest friends.

But there seems to be no other explanation for the care Hoffa has taken to avoid an open fight with AFL-CIO unions. His speech to the TWU had the ring of a man who expects the mantle of leadership to descend. He even sounded like Walter Reuther in his salad days.

The unstated bid for leadership also makes sense when the present gyrations of the Teamsters and the AFL-CIO are measured against long-run labor politicking. Hoffa is a young 48 and AFL-CIO President George Meany is 67. Hoffa can wait. But as an interested party to what is going on within the federation, he cannot stand by idly while the AFL-CIO searches for a successor to Meany.

As one would expect, a Hoffa-led Teamsters union does not have a prayer of rejoining the merged labor federation so long as Meany remains in office. On the other hand, the proposal by Communication Workers President Joseph A. Beirne that the federation launch a new union to oust the Teamsters from its jurisdiction has even less chance of adoption.

What is in the cards is the chartering of defecting Teamsters as federal locals of the AFL-CIO. Several, notably in Chicago, Cincinnati and St. Louis, have already left the Teamsters' ranks.

These moves are mere bagatelles to Hoffa and his strategists. Their policy is to keep up the pressure on the AFL-CIO so that when the right moment arrives, readmission of the Teamsters to the federation will seem natural.

There are other strategies Hoffa must follow. Since he is regarded as something of a blackguard by the public and by many union members, a "new Hoffa" must emerge. His speechwriters and publicists are undoubtedly at work on this right now. At the same time, the message "Hoffa delivers" must be hammered home to unionists. This is one of the reasons why Hoffa chose the TWU forum to announce that he has just nailed down $200-a-month pensions at the age of 60 for 600,000 truck union members covered by the Teamsters' over-the-road contracts.

Why does Hoffa want to get back in the AFL-CIO? Why not simply set up a rival labor federation as he has threatened to do? After all, as Hoffa is fond of saying, it would cost the Teamsters $4 million a year to rejoin the AFL-CIO.

The reasons, aside from Hoffa's own overweening ambition, are simple enough. Strange as it may seem in the light of the great power the Teamsters wield, they would be all the stronger within the federation than without. Exile has made the Teamsters union a pariah in the lobbies of state capitols and in Washington. The AFL-CIO holds a legislative-lobbying monopoly, which hurts the Teamsters more than they like.

Within an AFL-CIO that by-and-large lacks any crusading energy, the bustling Teamsters union would be a lodestone of power, well-nigh irresistible to those within the labor movement who are seeking a resurrection of the dynamism of the 1930s.

Truly, George Meany must feel like Horatius at the bridge—but without cheering townsmen behind him.

Labor Cools on Kennedy

Labor's disenchantment with the Kennedy Administration continues to grow. So far, of course, it is confined to grumbling over a drink and it is not likely to lead to widespread defection from Democratic ranks during the 1962 Congressional elections.

Nonetheless, labor is uneasy over the direction that Kennedy's domestic economic policy seems to be taking. "There is more real concern over inflation within the present Administration than there ever was under Eisenhower," says one labor economist. Another points to the growing concern within the Kennedy Administration

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over international competition. "On this score," he says, "they pick on us [the unions] because it's easier."

Unionists were dismayed—and some were bitterly amused—when Labor Secretary Arthur Goldberg said the United Auto Workers should not strike at a time of international crisis. Sardonically, union officials are reminding others in the Administration that it was Goldberg who so effectively demolished the same argument at the height of the 1959 steel strike.

But Goldberg's gibes do not worry unionists so much as what Dr. James Tobin, a member of the President's Council of Economic Advisors, had to say recently to the research and economic staffs of the AFL-CIO unions. Tobin made it very clear to the union economists that President Kennedy's appeals for wage and price restraints were made in dead earnest.

What also interested the union staffers was the frankness with which Tobin admitted to a shift in his own thinking on economic questions. Tobin said that as a private citizen he had felt that a mild, creeping price rise was not too high a price to pay for high employment and an expanding economy. This is—or was—a view shared by many so-called liberal economists. Now, says Tobin, because of international considerations, he shares the Administration's concern about inflationary forces. Unionists fear that the same shift in thinking may take place in other circles normally considered friendly to labor.

Tobin cited President Kennedy's call for restraint and avoidance of price rises on the part of the steel companies. But the union men feel that Tobin came down rather hard on wages as an inflationary factor and that Presidential weight is likely to bear hardest on the unions.

When Harry Chester, a UAW economist, asked Tobin what was wrong with a cost-of-living escalation clause in a wage contract, Tobin replied that though such wage increases might be the effect of a price rise, the wage boosts themselves led to further price rises. The effects spill over from the industry with wage escalation to other industries, Tobin added.

This seems to place the Administration very much on the side of managements that are trying to dump the cost-of-living clause from union contracts. And this development in the Administration's policy has the unions very much upset. —TOM BROOKS

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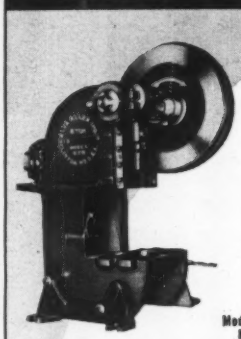

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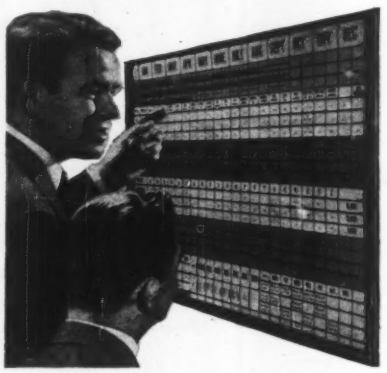

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AN AMERICAN IN WASHINGTON, *by Russell Baker. Alfred A. Knopf. 224 pages. $3.95.*

"Washington," says Russell Baker in what will never become a textbook definition, "lies slightly south of Madrid and west of Maracaibo on a swamp littered with marble imitations of ancient Roman and Greek architecture." Having thus pinpointed its location, the writer rambles over the capital's topography, analyzes its society and dissects its mores with what executives will find is some of the most sophisticated wit (and penetrating insights) since "Parkinson's Law."

Under his microscope, such institutions as the Washington cocktail party, the ritual dinner and the press conference are scrutinized. For readers with more than a passing interest in politics, a chapter on the Presidency explores the pitfalls that lie in the path of a Chief Executive aspiring to greatness. A chapter on Congress tells how to become a successful Senator, and examines life in the "not so lower House."

Spun with the know-how of a Washington correspondent, Baker's prose often dishes up unpalatable truths with spanking cynicism. For example, in discussing that bane of every businessman's life, Washington's huge bureaucracy, he asks disarmingly, "Why should the taxpayer support such nonsense?"

"The answer," he suggests, "is that the American, though sulking about a profligate bureaucracy, insists upon it. The Wisconsin dairyman, embattled with the oleomargarine interests, demands the Government's help. So does the laborer fired for yielding momentarily to picayune impulse. The man who is shocked by an American exhibit in Brussels expects action when he complains to his Senator. It requires money and help to get it for him."

Baker's book carries a solid respect for the thousands of hard-working civil servants, both famous and unknown, who spend tedious hours making our democracy work. And along with making this point, Baker has furnished a guidebook that, for all its humor, will come as a valuable addition to the library of any executive who does business in Washington.

ART AS AN INVESTMENT, *by Richard H. Rush. Prentice Hall. 418 pages. $10.*

Not even speculating in over-the-counter stocks is as tricky as buying works of art for appreciation in their cash value. Yet it is also true that nothing in these last few years—ever since the Greek ship-owning millionaires got interested in the art market—has lent a rich businessman so much cultural cachet as a collection of Monets, Renoirs or one of the other of the French Impressionist painters.

Once before in U.S. history big money and art collecting went together. But the Andrew Mellons and the J. P. Morgans of those days did not believe in "do-it-yourself." High-paid art experts told them what to buy. Today, few if any businessmen-art collectors employ such experts.

The result is a heady market in art. It can give some lucky and astute collectors enormous capital gains. It can also leave the unlucky and unastute terribly burned.

How to avoid the fire? Richard H. Rush, a Washington, D.C., investment banker with a notable $500,000 art collection, outlines the pitfalls and the promises in *Art as an Investment.*

The book is a good primer for the man who is determined to do it himself. Rush describes and illustrates (but only in black and white) the twelve main schools of art, explains the social and economic bases of the recent wild rise in art prices, probes into the delicate question of what makes a good painting. (It is the "quality" of the painting, he says, and not necessarily the name of the painter.) He tells the prospective collector how to seek out reputable galleries, how to avoid the syndicates of dealers who corner the works of one painter and then drive up the prices.

Profits? Well, Rush points out that a painting by Matisse bought for $1,700 in 1928 sold in 1954 for $19,700. It is also worth noting that $1,700 put into Jersey Standard stock in 1928 would have been worth $11,900 in 1954—and would have been readily salable all the time, which is not always the case in art.

But of course there is more aesthetic pleasure in most paintings than in a bale of stock certificates.

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Bayview Office Bldg. Addn., Ft. Lauderdale
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Crimson Associates Bldg., Cambridge, Mass.
Babson Bldg., Boston
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Strawberry Hill Terrace, Stamford, Conn.
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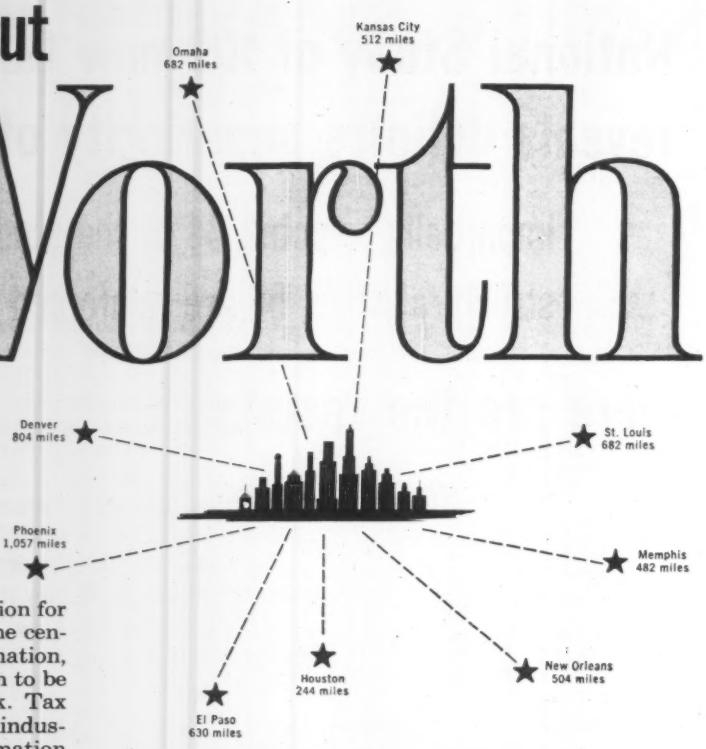

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HOUSING: 111,000 new dwelling units since 1940. An average of 1,297 houses for sale and 559 units for rent per week. Average selling price of desirable homes is $12,198, with per-square-foot costs ranging from $10 to $15.

THE COMMUNITY: 80 elementary schools, 26 junior and senior high schools, 2 technical schools. Two colleges, a university, and a theological seminary. Extensive adult education programs. 72 parks, 8 general and 2 children's hospitals; 1 doctor per 750 persons. Texas has no state or local sales tax, and no individual or corporate income tax. The level of combined state and local taxes is about 10% below the average for all states.

COMMERCIAL SERVICES: About 1,000 manufacturing industries operate in Fort Worth, of which 90% employ fewer than 50 workers each. These smaller industries provide both diversity and stability to the economy of the city. Major activities are the manufacture of transportation equipment, food, machinery, and air conditioning. Among other industries are metal fabrication, printing, chemicals, fertilizers, plastics, electronics, and packaging materials. Agriculture and petroleum are also major industries. Over 1,000 firms are engaged in wholesale trade, and there are about 2,300 service firms in the city.

CLIMATE: Yearly normal temperature of 66 degrees; normal annual rainfall of 33.69 inches. The region is one of temperate climate, and occasional extremes of hot and cold are short-lived. Measurable snowfalls occur on an average of only once a year.

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Now, however, Hamilton feels it has greatly simplified the movement and former objections are no longer valid. But how to convince the traditionally suspicious distributor?

Hamilton decided that nothing less than a direct appeal by top management would turn the trick. So all Hamilton officers, including President Arthur B. Sinkler, were assigned to executive teams charged with "selling" distributors on the electric. Each team visited five major cities. Members fanned out over the marketing area, dropped in unannounced on individual watchmakers and jewelers to talk about the newly improved electrics.

Since not all distributors could be reached this way, Hamilton also invited watchmakers and jewelers in each city to a meeting. Several were asked to take apart and reassemble the watches, while closed-circuit TV carried every step to the audience.

Hamilton is so pleased with results that it is considering using executive introductions whenever distributor reluctance crops up in the future. Sales of the new electrics, says a company spokesman, have mounted steadily, so much so that Hamilton expects to be oversold this month.

A Face in the Crowd

An employee who has put in thirty or forty years' service with a company leaves an indelible mark upon the organization. And when such a man retires, traditions often fade with his departure.

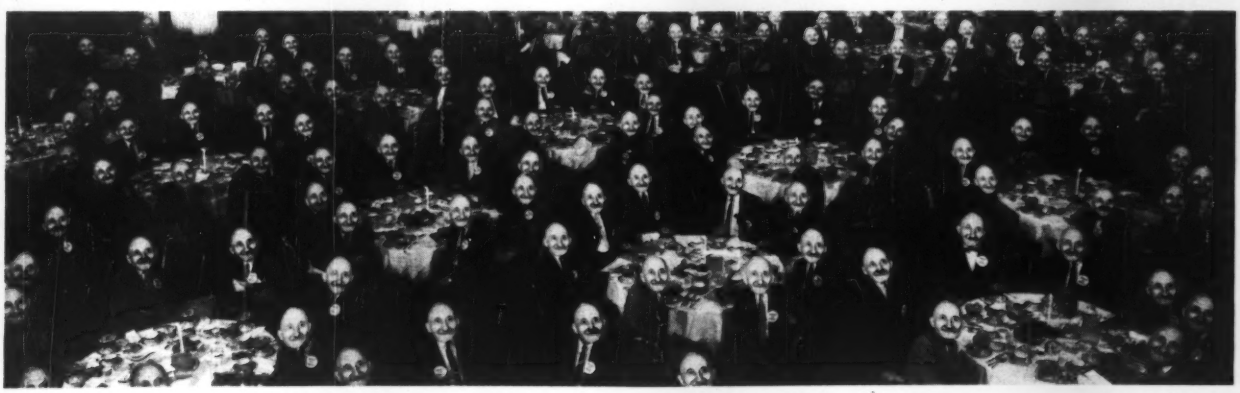
Such was the case at Monsanto Chemical Co.'s Queeny Plant division when its veteran personnel manager, Jules H. Kernen, retired after 46 years with the company. Kernen had risen through the ranks and over the decades had hired more than 10,000 Monsanto employees. In the company's words, his retirement had "an era-ending tone."

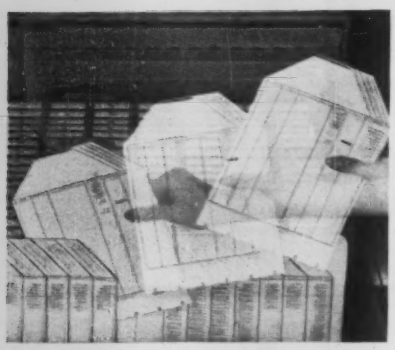
When the inevitable farewell dinner was held, Monsanto went beyond the traditional awarding of gifts and speeches of eulogy. As the crowning touch, the company quietly arranged for delivery of 325 face masks, each reproducing the features of Jules Kernen. At a prearranged moment, every diner whipped out the mask and donned it (*see cut*).

For a brief, warm moment, the stunt symbolized the company's face as synonymous with that of a man who had helped build it over the years. "Kernen," says a company spokesman, "was deeply affected by the tribute."

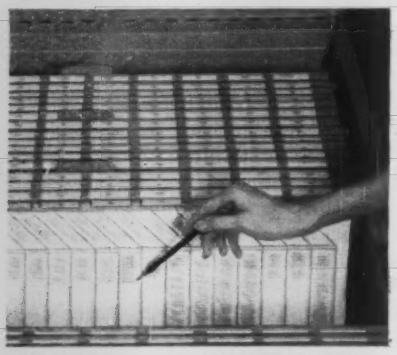
The Customer Tells All

Why won't they reorder? This poignant question was asked with increasing frequency at the Chevrolet division of General Motors Corp. as survey after survey of Chevy owners revealed a steady decline in intention to repurchase. With over 16 million Chevrolet vehicles in service, even a 1% drop in repeat buys would mean 160,000 lost sales. Faced with this disagreeable prospect, Chevrolet de-





take it...or leave it



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Left-to-right indexing keeps thousands of cards at operator's finger tips.

Adjustable dividers let you fit system to records.

"Card Out" signals speed refiling.

Double-view margins keep customer's name and balance always on view.

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cided to sidetrack cumbersome market research, go right to the customers themselves.

Numerous company representatives throughout the country selected the names of Chevy owners at random from registration lists. Those selected were called on the phone, asked to attend a company-paid luncheon. Purpose: to talk about Chevrolet.

Each luncheon was limited to fifteen Chevy owners, plus local dealers. The customers poured out their complaints, while a tape recorder patiently transcribed every word.

Many minor complaints, Chevy found, were due to faulty practices and techniques by dealers. But all comments bearing on product satisfaction were tabulated in Detroit for study by company officials. As a result, many changes in product have been made.

For example, complaints about windshield reflections led to a repositioning of seats. Owners' comments also influenced centering of the glove compartment, and putting a larger fuel tank in the Corvair.

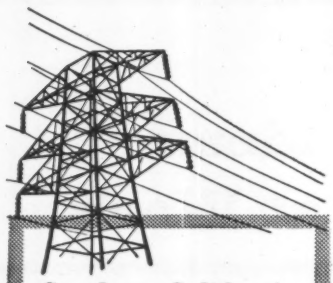
A permanent staff is now conducting the forums on a continuing basis. Do they stir up dealer opposition? "No," says General Sales Manager K. E. Staley. "They please our dealers because we don't try to hide our own shortcomings. If the owner isn't happy, it might be our fault. We investigate, and stand ready to assume any rightful share of the blame."

Safety Payoff in Silver

Employee safety is a source of concern to every employer. And not for just humanitarian reasons. Besides the disruption that on-job injuries may cause, there is the not-so-small problem of workmen's compensation rates. As compensable injuries increase, so does the company's insurance premium.

With that fact firmly in mind, most companies sponsor safety programs of one kind or another to slash the injury rate. Often these programs are big-time operations, costing thousands of dollars annually in training, contests and raffles. Now a new wrinkle in safety promotion has been developed by the Texas Butadiene & Chemical Corp.

The company's Lyondell plant recently completed its third accident-free year and received a $6,300 rebate on workmen's compensation.



Southern California Edison Company

DIVIDENDS
The Board of Directors has authorized the payment of the following quarterly dividends:

CUMULATIVE PREFERRED STOCK:

4.08% SERIES
Dividend No. 47
25½ cents per share;

4.24% SERIES
Dividend No. 24
26½ cents per share;

4.78% SERIES
Dividend No. 16
29⅞ cents per share;

4.88% SERIES
Dividend No. 56
30½ cents per share.

The above dividends are payable November 30, 1961, to stockholders of record November 5. *Checks will be mailed from the Company's office in Los Angeles, November 29.*

P. C. HALE, *Treasurer*

October 19, 1961

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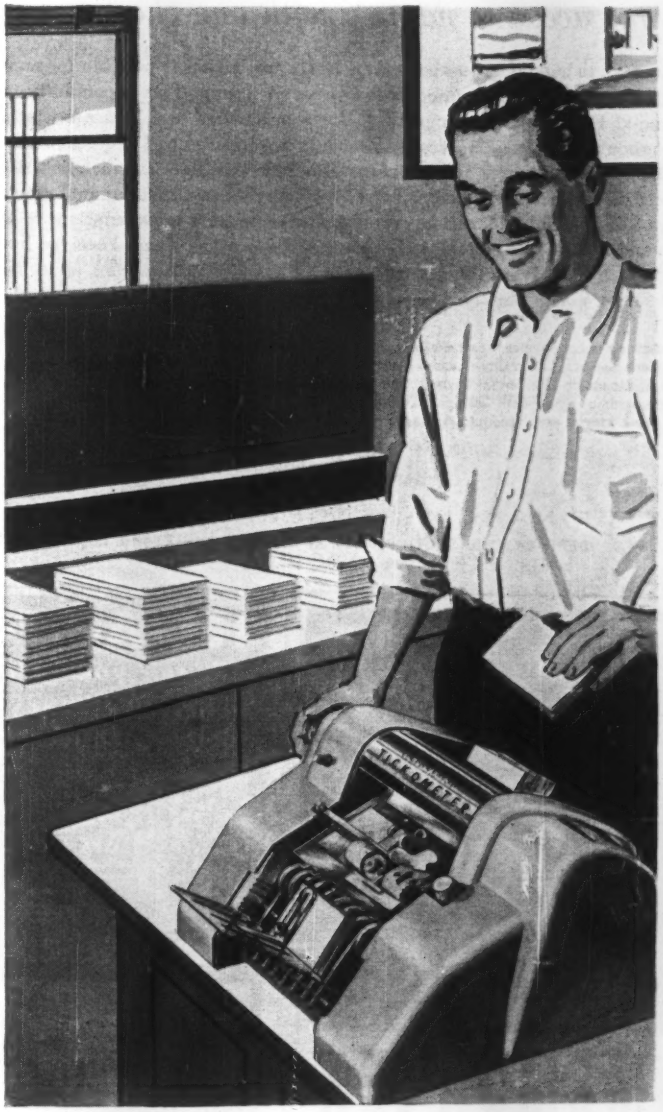
Imprint advertising
quickly & easily

You always support your dealers better when your literature carries their names. But printing dealers' names individually is costly. If printed during the original run, press stoppages for small quantities incur additional charges. If printed later on finished booklets, inserts or cards, each lot is a separate printing job . . . with a Tickometer, you can do the imprinting in your own office quickly, easily and inexpensively, as the requests or orders come in—and speed delivery.



- The Tickometer imprints a maximum area of 2 1/16 by 7/8 inches and gives good register on materials up to 15 by 15 inches, depending on the model; prints from rubber mats, type slugs or electros, on most weights and finishes of paper, card or foil.
- It's easy to set and operate, feeds and stacks automatically, can be used by anybody.
- The Tickometer will also mark, code, stamp, endorse, date and cancel labels, forms, coupons, checks, cards, tickets at from 400 to 1,000 items a minute—does hours of manual work in minutes. With optional accessories, it will sign checks, do consecutive numbering.
- And as it prints, it counts—so accurately banks use it to count currency; it records part or full counts. One model batches into predetermined counts.
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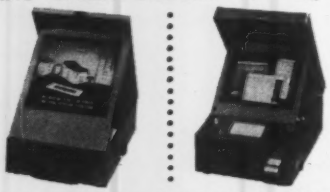

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But instead of circulating a congratulatory letter from the president, or raffling off a prize, TB&C decided to split the rebate among its 252 local employees. A week before making its intentions known, the company posted cryptic announcements around the plant reading: "Wanted—Safe T. Record, alias three years of operation without lost time due to accident. Reward . . . to be posted."

Seven days later, a "Captured" banner was tacked across each poster. The following morning, a covered wagon pulled by a team of mules showed up at the plant. Guards, dressed in Western garb, hovered over the wagon. Word of the award was spread around the plant. And at day's end, as employees emerged from the plant, each received a cloth pouch with 25 silver dollars.

While $6,300 is a fairly expensive one-shot safety promotion for a 252-worker plant, TB&C feels the cost was worthwhile. "We'd have lost that money, anyway," says a company spokesman, "if injury rates had been substantially higher. But there's also a payoff in increased safety awareness that should stick for years."

Stockroom System Eased

That chronic stockroom headache of wading through endless rows of identical, brown-wrapped packages just to find a batch of airmail paper is a thing of the past at State Farm Mutual Life Insurance Co. As the world's largest insurer of automobiles, the company stocks some 2,000 different forms at its headquarters. For inventory purposes, the brown wrapping around each batch of forms used to be coded and stamped. But even when so labeled, locating a specific form could be a tedious matter.

So State Farm decided to take off the wraps, expose each form to view. Since complete abandonment of a wrapping could lead to high stock damage, the company cast about for a transparent plastic overcoat. Using a system marketed jointly by Mehl Manufacturing Co. and Kordite Co., State Farm now binds its forms in groups of 100 to 500 in snug polyethylene packs. Reports John D. Holder, director of State Farm's administrative service department: "The new process slashes labor costs in half, eliminates the need for time-consuming stamping of form and stock numbers." —J.J.F.

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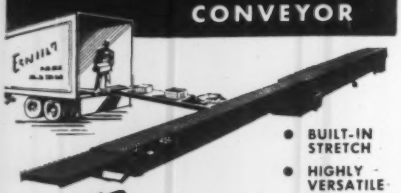

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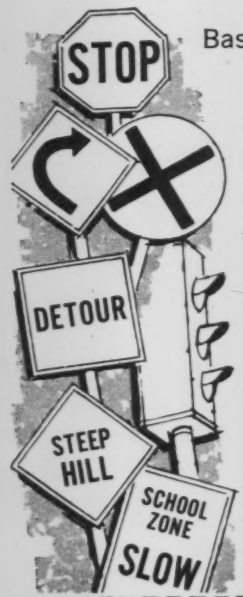

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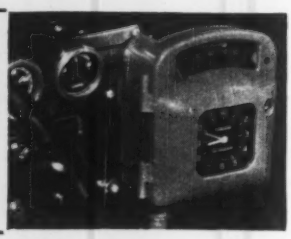

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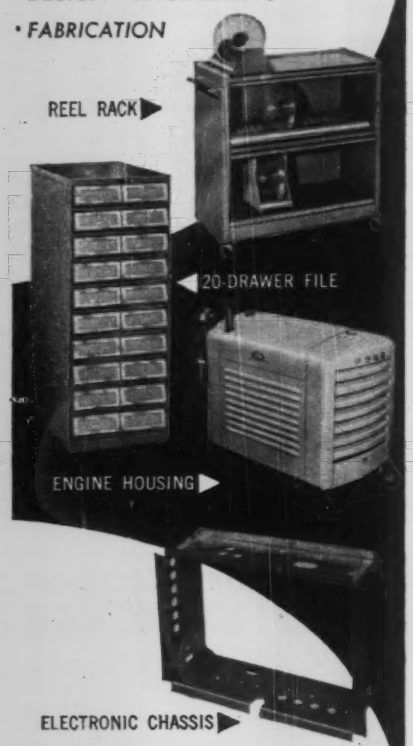

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The Reviewing Stand

The Delicate Balance

WEARYING of a penny ante game of poker, a few college boys decided to corner the market on pennies in a small city. They begged, borrowed and pooled all the dollars in a dormitory and went from store to store converting paper money into copper. Soon the merchants were unable to make change, and there was a copper run on the local banks, which in turn had to send messengers to other communities for pennies.

The incident demonstrated two neglected facts. First, $100 is ten thousand pennies, and pennies have a fast turnover in any community on a Saturday morning. Second, it doesn't take much to upset the trading equilibrium of Main Street.

Forty years ago a group of religious societies, numbering over 50,000 men, went to Washington, D.C.

President Coolidge knew about it, for he was the speaker before the multitude at the Washington Monument. And the railroads knew about it, too, as excursion trains dumped their human cargo into Pennsylvania Avenue for a parade.

But the restaurants didn't know about it. When the horde of visitors descended on the eating places, the pantries were soon bare, and the short-order specialists locked their doors, and a lot of marchers engaged in an unpremeditated fast. There wasn't a dry crust in the Capital as the foragers went from food shop to bakery to delicatessen. And all because somebody forgot to tell Washington suppliers they were coming 50,000 strong.

The Legal Handout

Man in our day has assumed his social responsibility with a commendable spirit. At the same time, though, he has learned that human beings can be roughly divided into two classes: the pushers and the leaners.

Part of the cost of doing business is the taxes we pay, and part of those taxes is used to help people in financial trouble in times of economic change. Unemployment relief, one of the most important forms of this help, is a program conceived in good faith and generally well administered. Yet it invites an economic evil that is growing in many communities.

One of the most helpful persons in the small town used to be the "handy man" who could repair a sidewalk, paint a porch, mend a fence, or take on a multitude of other odd jobs. He worked by the hour, day or week, unhampered by the complications of the law that now regulates temporary employment. Maybe the "handy man" is still around, but he is no longer available for spring or autumn jobs when the screens need attention or the garden is due for a cleanup. He is collecting unemployment insurance, and he can't take the risk of making a few dollars and losing the government handout. In his case, certainly, unemployment insurance increases unemployment by deferring initiative.

Paternalism has a strange influence on civic logic, and the notion that we can dump all of our welfare obligations on the community is gaining ground every time a legislative body takes another tax bite for the purposes of the public weal. At the same time, this curious logic influences the opinion of public officials who are the purveyors of the handout.

No businessman begrudges the dollar given to the needy, but this is not the issue. There is grave reason to believe that our society is supporting a fair percentage of drones and sharpies who like the flavor of tax butter on the bread earned by someone else's sweat.

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